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PLANNING AND PLAN IMPLEMENTATION

STRUCTURAL SHIFTS IN ECONOMY PROJECTED IN PLAN

Moscow IZVESTIYA AKADEMII NAUK SSSR-SERIYA EKONOMICHESKAYA in Russian No 2, Mar-Apr 81 pp 5-17

[Article by V. N. Kirichenko: "The 11th Five-Year Plan: Structural Shifts in the Economy"]

[Text] This article analyzes structural shifts in the USSR national economy outlined for the 11th Five-Year Plan to solve the problem of raising the efficiency of public production on the basis of accelerating scientific-technical progress, more efficient use of accumulated production potential, and all possible savings of all types of resources for the purpose of further improving the well-being of the Soviet people.

I.

The economic policy of the CPSU in the 11th Five-Year Plan and for the period until 1990, outlined in the document "Basic Directions of Economic and Social Development of the USSR," is above all consistent with the strategic goals of the party that have been sought in recent five-year plans, with the orientation of economic growth toward a steady rise in the material and cultural standard of living of the people, creating more favorable conditions for comprehensive development of the individual personality, and raising the efficiency and quality of work.

This policy relies on results that have been achieved in strengthening and improving the country's production and scientific-technical potential. Suffice it to say that since the start of the 1960's, which is when the USSR reached the level of developed socialism, fixed production capital has increased almost 4.8 times to a figure of 1 trillion rubles.

High levels of production of basic resources have been achieved. Per capita production levels in the USSR for 1979 compared to the United States were as follows: petroleum (including gas condensate) — 117 percent; natural gas -- 55 percent; coal — 91 percent; steel — 98 percent; mineral fertilizer — 92 percent; timber — 87 percent; cement — 132 percent. But at the same time, expenditures of these resources per unit of final production results (national income) are significantly higher in the USSR than in the United States: petroleum — 200 percent; steel — 170 percent; cement — 240 percent; capital investment — 150 percent. Under these conditions the focus of the problem of insuring continued economic progress shifts toward fuller and more efficient use of resources.

The economic policy outlined for the long run takes account of the objective characteristics of economic development in the 1980's. Above all this means intensification of the limiting effect on economic growth of increasingly restricted opportunities for further extensive increase in the volume of primary resources being drawn into economic circulation: labor resources owing to demographic factors; fuel and many types of mineral raw materials owing to the increasing cost of measures aimed at maintaining achieved levels of extraction as the result of depletion of resources in primary regions, the high cost of initial development of deposits in new, usually remote regions, and the need for significant expenditures to transport natural resources.

The satisfaction of growing needs for primary resources must increasingly be accomplished by conservation. With the current scale of production, volume of resources extracted, and domestic and world experience with solving complex technical-economic problems, the possible dimensions of resource conservation, above all of fuel-energy and construction element resources, are becoming quantitatively commensurate with possibilities of physical growth in resources.

Scientific-technical progress prepared the prerequisites so that reducing specific expenditures of resources and modernizing accumulated production potential could become more economically efficient than a further build-up in them.

Thus, the transition to a new type of reproduction where growth in public product and national income is secured primarily by fuller use of primary resources and accumulated production potential, that is, to the intensive type of reproduction, has become objectively necessary and technically feasible. The policy of intensification is the heart of current CPSU economic policy. "Planning, scientific-technical policy, and structural policy should be subordinated to meeting this challenge," the Accountability Report of the CPSU Central Committee to the 26th party congress stated [1, p 5].

As the document "Basic Directions" emphasized, continued economic progress in society presupposes profound structural shifts in the material-technical base, significant changes in the distribution of national economic resources, and consistent implementation of a scientifically substantiated structural policy that is appropriate to the new challenges and objective conditions of further economic growth.

Vigorous structural policy is expected to insure a rational combination of both current and long-run national interests, a bolstering of our economic might, growth in consumption, planned distribution of labor and material resources among economic sectors, concentration of resources in key areas, and a change in the quantitative ratios that characterize the process of expanded socialist reproduction in a definite phase.

The 11th Five-Year Plan is an important phase in realizing the long-term objective of economic and social development and implementing structural policy. During this time plans envision a further refinement of proportions to insure dynamic development of production, more rational use of the production potential created, and conservation of all types of resources.

In this connection, we should mention first of all the accelerated (in comparison with the rate achieved in the 10th Five-Year Plan) growth rate of the sectors that create physical products, that is, industry and agriculture. Their share of gross public product will increase; the absolute amount of growth in the five years will rise more than 1.3 times in industry and 1.7 times in agriculture (average annual computation).

There will be a continued increase in the share of the sectors that have a decisive impact on technical progress: the growth rate of machine building output will surpass growth for industry as a whole by a factor of about 1.4, while for chemistry and petrochemistry the factor will be about 1.2. Within machine building power and heavy machine building, machine tool building, and agricultural machine building will develop at priority rates, while in the chemical industry the production of synthetic resins and plastics, mineral fertilizers, and chemical means of plant protection will increase faster. These structural shifts are directed to an increase in the technical level of the key, base sectors of heavy industry, machine building itself, and agriculture.

Thus, the accelerating growth of product in physical form will be accompanied by changes in its structure oriented to accelerating scientific-technical progress.

The policy of increasing efficiency in the 11th Five-Year Plan has found expression in a significant modification of the ratio of change in final result and the change in resources, specifically final results and capital investment. During previous five-year plans the rate of growth of capital investment has greatly exceeded the growth rate of national income: 1.05 times in 1966-1970, 1.5 in 1971-1975, and almost 1.4 times in 1976-1980 (calculated by national income used). In the 11th Five-Year Plan, for the first time, an inverse ratio of change in these indicators is contemplated. Whereas national income will increase 18-20 percent, capital investment will rise just 12-15 percent; the ratio of change in growth for the two items will change in favor of national income, and the factor computed above will be roughly 0.7.

The acceleration in the rate of growth of output in physical form must be accomplished with a very significant reduction in the rate of increase in employed persons in physical production compared to the two preceding five-year plans. Each of the sectors of physical production has been given an assignment to accelerate the growth rate of labor productivity, leading to an increase in the share of growth of national income and public products received by more efficient use of public labor.

All these things are distinctive features of structural policy reflected in the plan indicators for 1981-1985. They signify the transition of the national economy to an intensive footing and demand special attention at all levels concerned with managing them.

II.

Significant structural changes are required to accomplish the fundamental goal, contained in the formulation of the main challenge of the 11th Five-Year Plan, of more rational use of the country's production potential as one of the means to insure stable, consistent development of the national economy. "The economy must be economical — such is the demand of the time," said L. I. Brezhnev in his report to the 26th CPSU Congress [1, p 5].

Incomplete and inefficient use of the production potential that has been created is linked to the existence of significant disproportions in its development. Therefore, the first condition and key general economic prerequisite for successful implementation of the policy of more rational use of that which has already been created, the policy of intensification, is constantly maintaining proportionality among production factors and mutual exchange of activities among different elements of the national economy and insuring stable balance in economic growth. Without this prerequisite there can be no effective measure to introduce new technology, raise the quality of articles, and provide material incentives.

Why is the factor of balance so important with respect to problems of efficiency?

In the first place, it is only possible to use the factors of production (implements of labor, objects of labor, and work force) fully where there is the necessary quantitative ratio among them; where any one of the factors is disproportionate to the others there will be an excess which is not fully used.

In the second place, stresses in particular elements of the economy stimulate the use of irrational methods of balancing which may provide a temporary solution to the problem, but essentially conflict with the objective of intensification. Under conditions of a shortage of labor resources this refers to employing inadequately qualified work force or using work force that has a lower level of labor activism. A shortage of means of labor leads to a decrease in the intensity of replacement of obsolete machinery and retards the process of raising the technical level of production.

In the third place, where there are shortages and strains the level of requirements with respect to the quality of articles and services and to compliance with plan discipline drops; it becomes more difficult to achieve the goal of increasing the consumer's role in relation to the producer.

In the fourth place, under these conditions poorly monitored, sometimes even spontaneous, processes become stronger: redistribution of material resources to meet departmental and provincial interests at the expense of national economic interests; redistribution of personal monetary income and concentration of this income regardless of the actual labor contribution to public production.

The paramount negative influence on the overall efficiency of use of available production potential is the discrepancy that has developed in our economy between fixed capital and workforce. The essence of the problem is that the process of accumulation of fixed capital is progressing very rapidly, but growth in the number of employed persons, above all skilled labor, does not match it and the use of this labor is not improving. This results in slow incorporation of capacities that have been built and low indicators for equipment use, in other words incomplete use of accumulated production potential.

This discrepancy cannot be explained by demographic factors alone. It is based on economic factors, above all the intensified orientation toward new construction and insufficient attention to renewal of the existing production apparatus, modernization and reconstruction, and mechanization of manual labor. The inertia of economic thinking is also reflected here, the thinking which is dominated by the idea that the main thing is to build capital, capacities, to get new projects built, and the work force will be found somewhere. It is instructive that the proportion of fixed capital being introduced in replacement of existing production apparatus was lower in the Ninth Five-Year Plan than in the Eighth Five-Year Plan. At the same time the number of personnel engaged in manual labor in industry and construction continues to increase in absolute terms (with a certain decrease in the relative proportion).

Under conditions of an unjustifiably large gap between the growth rate of fixed capital and labor resources, where new construction is growing and the proportion of all capital investment used to replace obsolete technology is inadequate, the problem of providing labor resources for jobs is intensified. Rough estimates made by NIEI [Scientific Research Institute of Economics] of USSR Gosplan showed that millions of new jobs have been created in industry in recent decades for which labor resources were not fully provided. This excessive (relative to available labor resources and the quality of their use) introduction of fixed capital costs tens of billions of rubles. The existence of expensive work positions that are not adequately staffed is a factor in the drop in return on capital in industry. A similar process is taking place in construction and agriculture.

The document "Basic Directions of Economic and Social Development of the USSR for 1981-1985 and the Period Until 1990" directly points to the need to establish a proper structural correspondence in the economy based on such key factors of economic growth as labor and capital: "Take steps to achieve a balance between existing and newly created jobs and labor resources" [2].

Improving the proportionality of change in fixed capital and number of employed persons and overcoming the shortage of labor resources demand a broad program of technical, economic, and social measures which must be implemented consistently.

This means, first of all, raising the technical level of production, significantly curtailing the sphere of manual or low-skilled labor, and fuller, more productive use of work force and working time that is freed. It will be necessary to increase the volume and share of capital investment and equipment used to renew the production apparatus of existing production. During this process intersectorial differences in technical equipment available per worker must be systematically evened out.

Solving the problem of more rational use of production potential by balancing change in capital and labor resources presupposes a differentiated approach to employment and savings policy by regions of the country. Specifically, in the republics of Central Asia, the Transcaucasus, and Moldavia, and to a large degree Kazakhstan also, where there are already significant reserves of work force, especially in the countryside, the paramount thing is to create proper conditions for drawing them into public production: training workers from the local population, and carrying out programs of measures to raise their social mobility and change their way of life. When building new enterprises it is wise to strive for a more rational sectorial structure of production with due regard for local capabilities to provide appropriately qualified workers. It is advisable to increase the proportion of complex types of production that demand the use of skilled workers (machine building, instrument making, and the like) gradually, as the local population gains experience with industrial labor. To achieve this it is advisable to plan in these regions broad development of enterprises that process agricultural raw material while bringing the processing closer to the sources of labor. Accelerated development of light industry in the Central Asian republics will demand, in particular, an increase in the proportion of cotton that is processed on the spot. This will, in turn, make it necessary to reorient the corresponding production facilities in the RSFSR, Belorussia, and other republics with strained labor balances chiefly to producing high-quality articles from cotton.

The development of production, above all industry, in the European part of the country and the Urals, as envisioned in the "Basic Directions," should be accomplished precisely by better use of existing production potential, on the basis of reconstruction and technical re-equipping of existing enterprises, and without increasing the number of employees.

The strain that exists in the national economy with supplying existing production with certain types of objects of labor (mineral and agricultural raw materials, organic chemical raw materials, metals, fuel, and livestock feed) also operates as one of the substantial causes of incomplete use of existing production potential.

An analysis of change in the ratio between growth of total fixed productive capital in industry and construction, the principal users of objects of labor, and growth in the output of extracting industry illustrates that the disproportion in this element has become worse. For a long time, from 1960 to 1975, this ratio was generally stable: growth in the output of extracting industry was roughly half of growth in capital by five-year plans, but in the 10th Five-Year Plan it declined to less than one-third. If we take the production of objects of labor in industry, the ratio is as follows: in the Eighth Five-Year Plan, which was relatively good for indicators of efficiency, there was practically parallel growth in these quantities, but during the 10th Five-Year Plan production of objects of labor was barely two-thirds of the growth of production capital in industry and construction. Such severe changes in the course of interrelated indicators illustrate that the strain in supplying raw material resources to current production has intensified in recent years.

All this leads to a situation where the potential capacities of the existing production apparatus are underused, while indicators of efficiency and quality drop. But simply restoring balance offers opportunities for a marked increase in national economic efficiency, and this is possible both by more rational distribution of production savings between extracting and processing sectors and by broad introduction of resource-conservative and no-waste technologies and development of elements of the infrastructure. This will insure better preservation of that which has been produced, without significant losses.

In conformity with the statement in the "Basic Directions" concerning the necessity of striving for better coordination in the development of the extracting and processing sectors of industry in the 11th Five-Year Plan, significant attention will be devoted to technical re-equipping and further development of such basic sectors as power and metallurgy, to overcoming the lag in the raw material base of chemical industry, and to similar steps. Plans envision a certain acceleration, compared to the 10th Five-Year Plan, in the rate of growth of output from the fuel-energy sector, metallurgy, petrochemistry, the timber, pulp-paper, and wood processing industry, and the building material industry. To accomplish this an increase is contemplated in capital investment in the petroleum and gas, coal, and chemical industries, ferrous and nonferrous metallurgy, and timber and wood processing industries. They will increase 2.5-3 times faster than the growth of capital investment in the entire national economy.

A structural policy that is figured to strengthen the fuel and raw material base of the national economy is an essential element of carrying out the policy of fuller use of existing potential and continuing to build up this potential efficiently.

Policy in the area of the structure of capital investment is aimed at the same goals. The 26th CPSU Congress issued a directive to use capital investment primarily for reconstruction and technical re-equipping of existing enterprises and to complete construction projects begun earlier, while construction of new enterprises should be begun only if national economic needs for a particular type of output cannot be met by improving the use of existing production capacities taking into account reconstruction and technical re-equipping.

Experience shows that using capital investment in this way is very efficient. The results of investigations at enterprises where reconstruction and expansion has been carried out show that construction time is one-quarter less and costs are repaid three times faster than for new construction, while the level of return on capital is 1.5 times higher.

Successful realization of this policy depends on raising the level of management of the investment process as a whole and improving its proportionality. As analysis shows, the process of capital construction in the national economy has been out of balance for a long time. This is largely the result of failure to maintain the necessary correspondence between the scope of construction, the volume of construction and installation work underway at one time real capital investment resources, and the capacities of construction organizations and poor monitoring by economic planning agencies of increases in the estimated cost of projects under construction.

Straightening out capital construction requires a number of structural changes. We must consistently implement a policy of plan-based restriction of the scope of construction work and carry on this work in conformity with available material and labor resources. The policy must aim at a reduction in construction time, a relative decrease in the volume of incomplete construction, and performance of construction work according to normative indicators.

Limiting the volume of new construction should be done both by number of projects and by total estimated cost of construction underway at one time. The reduction in the scope of construction should be carried out gradually to avoid large losses. But the total estimated cost of projects under construction should not be more than 2-3 times the annual volume of capital investment. This will make it possible to coordinate and balance material resources with capital construction plans better, to cut construction time roughly in half, and to sharply curtail the volume of incomplete construction. As calculation show, the cost of a unit of capital being introduced can be lowered 8-10 percent by this. It seems that technical policy in construction and production of building materials should be precisely established in order to reduce the cost of projects under construction, prevent stereotyped use of expensive building materials, and promote fuller use of opportunities to build with brick, wood designs, and cast in situ concrete.

III.

Further development of the most important complexes of sectors of physical production is aimed at satisfying current needs for means of production and at creating the long-term prerequisites for economic growth. Solving these problems presupposes profound changes in the structure of the economy, particularly within sectors. The general direction of these changes is an increase in highly economical, progressive means and objects of labor that insure all possible economies of resources used. This, as was emphasized in the statement of the main objective of the 11th Five-Year Plan, is one of the essential prerequisites for continued stable, consistent development of the national economy. The significance of allout conservation of all types of resources as an increasingly important source for meeting public needs for means of production and economic growth in the future is growing.

What are the preferred ways to conserve resources? As experience shows, the increase in production efficiency goes through definite stages. It shows itself above all in a relative savings of live labor. Labor productivity rises when equipped with means of labor; live labor is replaced by embodied labor. The part of a unit of output that goes for expenditures of live labor is reduced. At the same time, expenditures of means of production may increase, but they increase in such a way that total expenditures per unit of output decrease. The labor-intensity of production declines, but usually in this stage of raising production efficiency its capital-intensity (for fixed capital) grows.

Growth in the scale of use of means of labor, which at first provides the basic savings of live labor, begins at a certain stage to lead increasingly to changes in technology and a relative savings of raw and processed materials and energy. But expenditures for means of labor may increase to achieve a deeper and more thorough level of processing of raw and processed materials. These expenditures, it could be said, substitute for part of the embodied labor used in the process of production (raw and processed materials, energy), and as a result the material-intensiveness of production declines. In this case, if we abstract from the influence of structural changes the level of capital-intensiveness generally continues to rise.

Finally, at a certain stage involving a very high level of tne technical process, improving means of labor also leads to a relative savings of these means; further growth in production is accomplished with a decline in capital-intensiveness.

For the current phase of economic development and the near future, taking into account the possibilities of technical progress and, particularly, the factors that limit economic growth, the labor-conservative and material-conservative lines of development are very timely in a technical sense and economically feasible. Reducing capital-intensiveness in the national economy as a whole in the current phase depends primarily on the extent to which the problems of conserving fuel and raw materials are solved by a relative decrease in the need for capital investment in the highly capital-intensive base sectors of the national economy.

The assignments outlined in the 11th Five-Year Plan for growth in the productivity of public labor and the share of this factor in growth of national income permit us to estimate that if they are accomplished a savings of 17 million hypothetical workers can be achieved.

Concrete assignments have been envisioned for conservation of fuel-energy resources, rolled ferrous and nonferrous metals, and building materials. They can be accomplished by directly reducing expenditure norms or through progressive changes in the production of these resources. Let us look at structural changes in the complexes of the fuel-energy sectors and design materials from this point of view.

The principal elements of the program for development and refinement of the structure of the fuel-energy complex include the following basic directions: a further increase in the extraction of petroleum and accelerated growth in gas extraction with a simultaneous increase in the proportion of yield of light products from petroleum and an increase in the proportion used as raw material for the chemical industry; replacement of mazut oil with gas as a fuel; developing atomic energy into a leading sector that provides continued growth in the energy potential of the European part of the country; an increasing orientation of thermal power plants to the use of inexpensive kinds of solid fuel, above all strip-mined coal from the eastern part of the country.

Among the primary energy carriers, plans envision an accelerated rate of increase in the extraction of natural coal. It is to rise roughly 1.4 times in 1981-1985 alone. The structure of growth in the output of electricity will change substantially.

During past periods, including the 10th Five-Year Plan, most of the growth in electricity production came from fuel-powered plants. In the 11th Five-Year Plan the bulk of the increase in electricity production is to be received chiefly from atomic power plants, as well as hydroelectric plants. Most of the increase in output of electricity from fuel-powered plants will come from those plants operating and to be built in the Ekibastuz and Kansk-Achinsk basins, which have inexpensive coal. Already today Ekibastuz mines what is almost the cheapest fuel in the country, and it is used to supply some 20 power plants in Kazakhstan, the Urals, and Siberia. They have a total capacity of 15 million kilowatts.

Insuring a reliable supply of fuel and energy for the country presupposes, in addition to these kinds of structural adjustments, a decisive change toward more rational, economical use of fuel and energy by consumers. Technical-economic calculations have demonstrated that expenditures of capital investment to conserve a unit of standard fuel are one-third to one-sixth of the cost of extracting and transporting it [3]. Solving this problem requires profound changes in technology and an improvement in the quality of equipment that uses fuel, especially in chemistry, metallurgy, cement production, and all forms of transportation. Secondary use of heat is a significant reserve for fuel conservation. The example of leading enterprises in this respect (the Magnitogorsk Metallurgical Combine, the Volkhovo Aluminum Plant, and the Novopolotskiy Polimir Production Association), where up to 40 percent of production needs for heat are met by secondary heat resources, illustrates the importance of this way of conserving resources.

The resource-conservative way of improving production is also generally applicable to the development of the complex of sectors that produce design materials. It is realized by a structural alteration of the balance of these materials in favor of progressive articles that are economical in use. In the 11th Five-Year Plan there will be preferential development of production of efficient types of rolled ferrous metals, nonferrous metals, synthetic resins and plastics, composition materials, cemented wooden design elements, and the like. It is true that the scale of production of these progressive materials still does not meet the need for them, but it will provide a substantial increase in the efficiency of use of primary resources.

Thus, while the increase in production of finished rolled metal products in ferrous metallurgy will be about 1.1 times, the production of cold-rolled sheet metal, rolled products with hardening heat treatment and made of low-alloy steel, sheet metal and tin (including extremely thin tin) with protective coatings, and cold-rolled ribbon, shaped and high-precision rolled profiles, will increase by 1.5-2.5 times.

The following figures illustrate the possibilities of the material-conservative impact of such a structural change in the production of rolled products: the use of heat treatment of articles, of cold-rolled sheet metal in place of hot rolled metal, of bent profiles of sheet and ribbon metal in place of hot-rolled profiles cuts metal expenditures by 25 percent, while the use of rolled products made of low-alloy steel instead of rolled products made of conventional carbon steel saves 30 percent of the metal and introducing shaped high-precision profiles in production can produce a savings of up to 80 percent.

A metal savings of equal or greater size than that from the use of rolled products of improved quality and economical profiles can be achieved by introducing substitutes, implementing new and expanding the use of already-incorporated progressive technologies for processing metal, reducing metal-intensiveness, improving designs, and improving the weight characteristics of machinery, instruments, and equipment being manufactured. All these things make it possible to estimate a savings of 10 million tons of rolled ferrous metals in industry and construction in 1985. In economic terms this is comparable to the growth in production of rolled products planned for the five-year plan (14-17 million tons).

Resource-conservative ways of development are also generally characteristic of the timber, pulp and paper, and wood processing industries. While a very slight increase is planned for timber logged in 1981-1985, the production of progressive types of articles is to increase substantially: chipboard by 1.5 times, fiberboard by 1.25 times, and cardboard by 1.3-1.4 times.

Taking full advantage of the materials-conservative effect of technical progress and structural shifts in the economy is one of the central problems in insuring further economic growth.

IV.

During 1981-1985 there will be further structural shifts in the economy resulting from an intensification of its general orientation to solving social problems and raising public well-being.

The steady growth in the scale of social measures taken through the five-year plans has been a practical realization of the strategic course determined by the 24th and 25th CPSU congresses of more fully satisfying the many problems involved with raising public well-being. In the Ninth Five-Year Plan as much capital was spent for these measures as in the two preceding plans, and in the 10th Five-Year Plan 329 billion rubles more than in the Ninth Five-Year Plan was appropriated from national income to raise the public standard of living.

The tendency first to stabilize the proportion of the consumption fund in national income and then to increase it, which will continue in the 11th Five-Year Plan, was defined in conformity with this. In the coming years this structural shift in favor of resources for nonproduction consumption by the public should be reinforced as a significant increase in the resources of nonproduction capital investment and a rise in their share of all such resources.

The most significant structural shift in the distribution of national economic resources and development of production in recent years to create conditions for more fully meeting the needs of all the population for diverse and high-quality food products and other consumer goods has involved a radical transformation of the material-technical foundations of agricultural production and a significant improvement in housing and domestic conditions for agricultural workers.

The share of this sector in capital investment has risen greatly, from 20 percent in the Seventh Five-Year Plan to 27 percent in the 10th Five-Year Plan. In the last 10 years more than 300 billion rubles of capital investment, which is more than three-fifths of all investment in this sector during the Soviet years, has been directed to the overall agricultural program.

Fixed capital in agriculture has grown more rapidly than in industry. Agriculture today has more fixed production capital by value per worker than industry had in 1970. This by itself is a qualitative change.

In the 11th Five-Year Plan the proportion of agriculture in national economic capital investment resources is to be maintained. This means that investment in the sector will reach 194 billion rubles in these five years, which considerably exceeds total capital investment in the sector for all years until the start of the Ninth Five-Year Plan.

The main thing is to increase the efficiency of use of these resources, and in large part this must be linked to achieving a more rational structure of distribution of these resources within the sector, among sectors of the agroindustrial complex, and to raising the level of proportionality in its development.

Thus, for example, measures and expenditures for economic development of improved lands have lagged behind expenditures for primary land reclamation, which has led to significant underutilization of the potential of these improved lands. Better coordination of expenditures for land reclamation with expenditures for comprehensive development of improved lands will unquestionably produce a higher final result with no change in total expenditures for these purposes, and it may even do so with a slight decrease in such expenditures.

The machine-tractor fleet of agriculture does not have the necessary ratio between power and working machines. This is one of the important reasons that the potential of the tractor fleet is only 50-60 percent used. This means that a more rational structure of deliveries to agriculture without increasing the total volume can significantly raise the efficiency of use of the sector's production potential.

The production and application of chemical means of protecting agricultural crops and controlling weeds has fallen considerably behind large-scale application of mineral fertilizers. This has reduced the efficiency of fertilizer use. In the 11th Five-Year Plan the production of these agents by the chemical industry will almost double and the assortment will be broadened. It is contemplated that all grain, corn (for grain), and soy bean planting and more than nine-tenths of rice plantings will be fully provided with herbicides (this will more than quadruple availability for rice fields). The percentage of sugar beets, potatoes, and sunflower seed supplied with herbicides will increase sharply. Using herbicides in the planned amounts will make it possible to save billions of rubles worth of agricultural crops.

The most significant problem in animal husbandry is overcoming the disproportion between herd size and the feed base and thereby achieving significant growth in animal productivity. This will permit a fundamental change in the structure of growth in animal husbandry output and make it possible to receive the bulk of growth through raising productivity.

A new approach must be taken to the structure of distribution of capital for increasing production and storing agricultural output. Considering the specific features of agriculture, the problem of preservation of output demands much more attention than in any other sector. Unfortunately, for a long time this attention was not given to this aspect of meeting public demands for agricultural output. Losses of output during storage and transportation increased proportional to growth in the volume of production, and in some cases even faster. Therefore, it is particularly true with respect to agriculture that a considerable part of the growth in demand for agricultural output can be satisfied by better preservation of that which has been produced.

A major change in solving this problem can be expected in the 11th Five-Year Plan. Significant steps will be taken to improve the storage and preparation of feeds for animal husbandry. The introduction of structures for storing silage and haylage will increase 1.8 times (by storage volume), and the availability of capital storage facilities for hay and root feed crops for the kolkhozes and sovkhozes will increase sharply. The level of availability of primary structures for grain storage will rise (approaching 100 percent), and the figure will also go up significantly for storage of vegetables, potatoes, and fruit. Capital investment for construction of railhead and pit-type storage facilities for mineral fertilizers, toxic chemicals, and powdered lime materials will increase 1.8 times.

For agriculture as a whole, the volume of capital investment to improve preservation of resources (including equipment storage) and output in the 11th Five-Year Plan is to increase 1.6 times in comparison with the preceding five-year plan. This trend should continue in the following periods and be bolstered by an increase in the volume and proportion of expenditures for further development of capacities to process output within the framework of agricultural enterprises or interfarm organizations and expenditures to introduce specialized forms of transportation, special equipment, and special instruments that provide the essential environment for preservation of agricultural output.

In the plan for development of industry in 1981-1985 the structural shifts to insure growth in public well-being will find generalized expression in slightly faster growth in the production of consumption goods (group B) compared to the growth rate of production of means of production (group A).

An increase in the proportion of the heavy industrial sectors in production of goods for the people is becoming a marked tendency toward change in the structure of production. Many of them are given assignments for increasing the production of consumer goods at higher rates than the rate of growth of all industrial output. These assignments for increasing the production of cultural-domestic and household goods exceed the planned rate of growth in all industrial output by 2.7-3.2 times for the radio industry, 1.9-2.6 times for the communications equipment industry, 3.1-3.2 times for the electronics industry, 1.5 times for the chemical industry, and 1.5-1.7 times for aviation and automotive industry, ferrous metallurgy, and the electrical equipment industry. In the timber and wood processing industry higher growth rates are planned for the production of furniture with the mark of quality, notebooks, napkins, sanitary engineering articles, and wallpaper. The share of multicompartment refrigerators, colored television sets, cassette tape recorders, washing machines, and electrical toys in the total volume of production of cultural-domestic and household goods will rise.

The proportion of quick-frozen ready-to-eat meat and dairy dishes, fruit, berries, vegetables, semifinished meat products, packaged meat-dairy products, milk products for children (dry mixtures and special sour milk items), and bakery goods with improved food value (with dairy and other enriching supplements) in the structure of production of food industry output will increase. The planned fish catch will make it possible to raise average per capita consumption to the rational norm.

The progressive changes in the structure of the national economy envisioned in the 11th Five-Year Plan and the refinement of proportions among and within the sectors while maintaining faster development of the sectors that bring about a rise in the technical level of production will also be continued in the period until 1990 and serve as an essential prerequisite for the continued socioeconomic progress of Soviet society. "Today, looking forward five and 10 years," L. I. Brezhnev said at the congress, "we cannot forget that these are precisely the years in which the national economic structure with which the country will enter the 21st Century will be founded and built" [1, p 5].

FOOTNOTES

1. "Report of the CPSU Central Committee to the 26th Congress of the Communist Party of the Soviet Union and Current Party Challenges in the Areas of Domestic and Foreign Policy," PRAVDA 24 February 1981.

2. "Basic Directions of Economic and Social Development of the USSR for 1981-1985 and the Period Until 1990," PRAVDA 5 March 1981.

3. PLANOVOYE KHOZYAYSTVO 1979, No 5, p 51.

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MOBILIZATION OF ALL RESOURCES URGED FOR 1982 BUDGET

Moscow FINANSY SSSR in Russian No 5, May 81 pp 3-11

[Article: "Mobilization of Reserves During Compilation of the Draft Budget for 1982 — A Subject of Fixed Attention"]

[Text] The entire Soviet people today are living under the influence of the decisions and plans adopted by the historic 26th Congress of the CPSU. The party congress was an event of enormous sociopolitical significance. It summarized the multifaceted activity of the CPSU and its Central Committee in the last five years, worked out the basic directions of domestic and foreign policy, and provided the party with an elaborate program for building communism in the country.

Our party and the Soviet people brought great achievement in all sectors of communist building to the 26th congress. The years that have passed since the 25th CPSU Congress were marked by continuing growth in the economic and defensive might of the country, an improvement in public well-being, and scientific and cultural development. They confirmed the scientific substantiation and correctness of the economic policy worked out by the party. The prestige and influence of the Soviet Union in the international arena became even greater, and its foreign policy position was strengthened.

Evaluating the results of the work that was done, Comrade L. I. Brezhnev underlined: "The results of development of the national economy persuasively demonstrate the correctness of party economic strategy. The country has progressed significantly in all areas of building the material-technical base of communism."

The main thing in the economic development of the Soviet State in these years is that the direction and nature of this development corresponded entirely to the general line worked out at the 24th and 25th CPSU congresses and to the fundamental objective of CPSU economic policy.

Universal socialist competition to greet the 26th CPSU Congress in a worthy fashion promoted successful accomplishment of the economic and social tasks of 1980 and of the 10th Five-Year Plan as a whole.

Nonetheless, as was noted at the congress, while the basic objectives of the 10th Five-Year Plan were successfully met, assignments for certain economic indicators were not fully satisfied. The achievements in economic development and solving social problems could have been greater if the advantages of the planned economy had been used more fully, if production reserves had been put into circulation more vigorously, and if the struggle against shortcomings had been more persistent. Not all sectors and enterprises fulfilled their established plans. Losses and waste of raw and processed materials and fuels were reduced slowly. Secondary resources were not adequately used.

The socioeconomic development of the country and a continued rise in the material and cultural standard of living of the Soviet people are organically linked to realization of the major financial program which envisions universal mobilization of reserves in the national economy and maintaining the strictest regimen of economy and thrift in the use of state capital. Essential financial resources, of course, must be created above all through dynamic, proportional development of public production, raising its efficiency, accelerating scientific-technical progress, increasing labor productivity, and improving the quality of all work. The basic directions of national economic development in the 11th Five-Year Plan envision an 18-20 percent increase in national income used for consumption and savings, a 26-28 percent increase in the production of industrial output, and a rise of 17-20 percent in the productivity of public labor.

The 26th Congress of the CPSU imposed high demands on the financial system to meet the challenges of the 11th Five-Year Plan. The document "Basic Directions of Economic and Social Development of the USSR for 1981-1985 and the Period Until 1990" noted the need to enhance the role of finance-credit levers in intensification of production, bolstering cost accounting (khozraschet), and intensifying the economy campaign.

Based on the decisions of the congress, financial agencies should exert more influence toward fuller mobilization of production reserves and raising production efficiency, compliance with economy and thrift measures, increasing the production of consumer goods and the rendering of public services, elimination of unproductive expenditures and losses, and increasing accountability for violations of financial discipline. All planning agencies have been given the goal of increasing the role of planning as the central element in national economic management.

The decisions of the congress demand that activities be intensified to carry out the measures developed in conformity with the decree of the CPSU Central Committee and USSR Council of Ministers entitled "Improving Planning and Strenghthening the Influence of the Economic Mechanism on Raising Production Efficiency and Work Quality."

A great deal has been done towards practical implementation of the basic points of this decree by the CPSU Central Committee and USSR Council of Ministers. More than 60 normative documents have been ratified. But a great deal still remains to be done. The job of financial agencies today is to make vigorous use of the entire system of economic levers and stimuli and improve financial and budget planning in order to promote further development of cost accounting, strengthen the economy and finances of the enterprises, and refine national economic financing practices.

One of the important jobs facing financial agencies is to prepare a draft budget for 1982, which will be the year in which key assignments arising from the document "Basic Directions" must be carried out. The main thing is, guided by the decisions of the 26th CPSU Congress and the principles and conclusions contained in the report at the congress by General Secretary of the CPSU Central Committee Comrade L. I. Brezhnev, to work out a system of measures that aim at intensifying the economy and thrift campaign, mobilizing reserves, improving the use of material and financial resources, and reducing and eliminating unproductive expenditures and losses.

Financial agencies must take an active part in the work of planning agencies as they develop drastic plans of economic and social development for 1982 and offer suggestions on accelerating the growth rate of public production and raising its efficiency.

The financial agencies, with comprehensive data on the financial-management activity of ministries, associations, enterprises, and organizations at their disposal, have an opportunity to actively influence the shaping of indicators that are important for writing the budget: the production of consumer goods, the plan for sale of output, assignments to lower the prime cost of output, the amount of profit, developing the system of sociocultural institutions, and many others.

The development of composite financial balances for the 11th Five-Year Plan and for 1982 in the Union republics will help greatly in solving the problems put before the financial system. Financial agencies should take a very active part in this work. They must strive to improve the balance of the plans and the reconciliation of all its indicators and to insure that all measures outlined by the draft plans for the economic and social development of particular regions are fully provided with financial resources. Special attention should be devoted to measures that insure all possible savings of state capital and intensify the economy campaign in all sectors of the national economy; the goal should be fulfillment of assignments with minimum inputs of materials, labor, and financial resources.

Correct analysis of the results of fulfillment of particular plan and budget indicators in the current year is very important for an economically sound determination of 1982 budget incomes and expenditures. For this reason financial agencies, together with planning agencies and the appropriate services at enterprises and organizations, must carefully analyze the expected performance of production and financial plans for 1982.

Special attention must be devoted to a further improvement in methods of economic analysis, which is an effective tool for locating internal reserves, improving the organization of labor and production, and eliminating irrational expenditures. On the basis of economic analysis, financial agencies together with plan and banking agencies, must develop and introduce proposals aimed at unconditional fulfillment by every enterprise, association, and organization this year of plans for production, profit, payments to the budget, contributions of the organization's own capital to finance capital investment, and assignments to mobilize internal reserves and capital construction, chiefly through reducing above-plan stocks of uninstalled equipment, putting above-norm stocks of commodity-material assets into economic circulation, and accelerating the rate of turnover of working capital.

When evaluating expected performance of the plan and budget for the current year, it is essential to concentrate attention on the socialist obligations adopted by associations, enterprises, and organizations to fulfill plans and assignments ahead of schedule, raise production efficiency, and improve the quality of work in honor of the 26th CPSU Congress. It is common knowledge that enterprise and organization payments out of profit are one of the important categories of state budget income. Therefore, it is especially timely to determine the optimal amount of profit for the 1982 plan.

Following the statement of the 26th CPSU Congress on the importance of profit as one of the principal sources of state income, financial agencies working out the draft budget for 1982 must concentrate attention on proposals to make all possible use of internal reserves for increasing production, raising labor productivity, and reducing the prime cost of output, insure a continued increase in profit and profitability on this basis, and try to overcome the unprofitability of certain types of output and services.

Planned reduction in the prime cost of output conceals enormous opportunities for raising profitability in the national economy. During the 10th Five-Year Plan steps taken to improve machinery and technology, refine organization of labor, raise labor productivity, and use material and energy resources more economically made it possible to cut production and circulation costs. At the same time, the economic services of certain associations and enterprises often stressed fulfillment of quantitative plan indicators and underestimated the importance of reducing expenditures for the production of output, more rational use of raw and processed materials and fuel, and eliminating unproductive expenditures and losses. This slackening of attention given to the indicator of prime cost led to a situation in industry in recent years where the share of growth in profit received by reducing production expenditures decreased. The decisions of the 26th CPSU Congress direct planning and financial agencies to greatly enlarge the role of the indicator of prime cost in evaluating activity and stimulating the collectives of enterprises and associations; they must increase its impact on growth in the profit and profitability of production.

Reducing the costs of production and circulation depends largely on how consistently economy and thrift measures are carried out. Conserving public wealth is the most efficient way to reduce public expenditures. One of the primary areas of this work should be conserving material resources. The 26th CPSU Congress set specific goals in this area: savings of 160-170 million tons of standard fuel, 18-20 percent of rolled ferrous metal products in machine building and metalworking, 9-11 percent of rolled nonferrous metal, and 5-7 percent of cement in construction. Reaching these goals is truly a matter of state importance. Suffice it to say that reducing material expenditures (including electricity) in the country as a whole by just one percent produces a savings of some 6 billion rubles.

It is important that conservation assignments be given to each enterprise and organization and that they be reflected not only in the quantitative indicators of the draft plan, but also taken into account in calculating the assignment for reducing the prime cost of the output and services produced.

Data from audits and examinations shows that planners often still fail to consider all existing reserves for reducing the material-intensiveness of output, raising labor productivity, reducing production wastes, eliminating unproductive expenditures and losses, and raising state income on this basis. There is no other way to explain the fact that the plan for payment from profit to republic budgets was overfulfilled in 1980 by 15.6 percent by the ministries of fuel industry, 11.5 percent by the ministries of domestic services, 20.8 percent by the ministries of land reclamation and water management, 49.8 percent by state committees for cinematography, and nine percent by state committees for printing, publishing, and book trade. Many other such examples could be given. By itself the fact of overfulfillment of the plan is a positive phenomenon, but such significant overfulfillment illustrates failure to consider all reserves when planning profit. This is a result of poor preparation of draft plans by ministries and departments and inadequate supervision of materials submitted by the appropriate financial agencies.

A further intensification of monitoring by financial agencies to see that enterprises establish economically sound norms for expenditures of raw and processed materials, electricity, and heat energy can be very effective. There are enormous reserves here. Certain production associations and enterprises often establish norms that greatly exceed the actual level in past years, failing to take account of economies that have been achieved. This makes it possible to create unsubstantitated reserves for prime cost of output in the plan. For example, at the Alma-Ata fruit canning plant, actual expenditures of raw material to produce one container of apple jam in 1979 were 271.2 rubles, but the plan for 1980 established a norm of 284.5 rubles. The corresponding indicators for one ton of sweetened apple sauce were 155.4 and 294.6 rubles, while for apple-cherry sauce the figures were 153.8 and 254.1 rubles.

At the Kyzyl-Kiy canning plant in Kirghizia the actual expenditure of subsidiary materials and packaging per unit of output in 1979 was 9.4 kopecks, but the 1980 plan envisioned a figure of 11.5 kopecks, which raised the planned prime cost of output by a total of more than 40,000 rubles.

Establishing economically substantiated norms for raw and processed materials will make it possible to take account of all resources in the draft plan and to direct them to increasing production and the sale of output. During the process of preparing the draft budget for 1982, financial agencies must make a careful analysis and offer proposals on revision of obsolete norms for expenditure of raw and processed materials and the establishment of new norms with due regard for scientific-technical advances and progressive know-how. This will make it possible to expand the production of output, reduce its prime cost, and increase budget incomes.

The 26th CPSU Congress established continued growth in the well-being of the Soviet people on the basis of stable, consistent development of the national economy, acceleration of scientific-technical progress and transition of the economy to the intensive path of development, more rational use of the country's production potential, all possible savings of all types of resources, and improving work quality as the principal challenges of the 11th Five-Year Plan. During development of the draft budget for 1982 financial agencies should concentrate attention on the search for reserves to further increase the production of consumer goods, broaden their assortment, and improve their quality.

The decisions of the congress call for all possible development of initiative in more fully mobilizing opportunities to broaden consumer goods production. "There is perhaps no other sphere of the national economy," L. I. Brezhnev emphasized at the congress, "where local opportunities and local reserves play such an important part as in meeting everyday consumer demand and providing services to the public." These reserves lie hidden in fuller use of local resources, accelerating the time required to launch production capacities into operation, improving the use of existing capital, and reducing losses of work time. Organizational-technical measures that promote more rapid introduction of new machinery and progressive technology in the sectors that produce consumer goods have a significant part.

The quality of goods must be improved significantly. A great deal was done in this direction during the 10th Five-Year Plan. The production of output in the top quality category rose and many new types of products that meet world standards were put into production. At the same time, not all opportunities in this area have been used.

Findings from audits illustrate that many enterprises devote insufficient attention to raising the quality of articles and permit significant losses from defective goods and as the result of payment of fines for failure to deliver and for delivery of sub-par products. For example, in the first half of 1980 the Kiev Motorcycle Plant of the Ministry of Automotive Industry received customer claims on 4 percent of all motorcycles produced, while the Uralelektromotor [Ural Electric Motor] Plant in Mednogorsk received complaints on eight percent of the electric vacuum cleaners it produced.

Enterprises of many ministries are still not doing much to increase the production of improved goods and new models that are in demand. In 1980 financial agencies audited 37 machine building plants on the question of product quality. The audit showed that only nine plants were producing articles with the index "N." At the same time many consumer goods are rejected as defective or lowered in grade by trade inspection agencies. This leads, on the one hand, to a diminished capacity to satisfy solvent public demand and lower state income and, on the other hand, to an additional need for capital to cover price discounts on unwanted and unsold goods. The calculations for the 1982 plan and budget must envision steps to improve the quality of consumer goods. The job of the financial agencies is to give all possible help in working out and taking these steps and to increasing state income through this factor.

The documents of the congress emphasize the need for allout development and consolidation of cost accounting. This decision cannot be carried out when a number of enterprises and articles are unprofitable. Naturally, this situation is frequently connected to the level of existing prices and charges. The institution of new wholesale prices and charges on 1 January 1982 will make it possible to sharply curtail the number of unprofitable enterprises and articles. At the same time, as the findings of audits and examinations show, many industrial enterprises have enormous reserves for eliminating the unprofitability of certain types of output by reducing expenditures for their production, improving raw and processed material norms, and using fixed capital and production capacities more efficiently. This is confirmed by cases where identical articles are produced profitably at some enterprises, but at a loss by others. For example, while the level of profitability in production of meat cutlets as a whole is quite high, enterprises of the Estonian Ministry of Meat and Dairy Industry lose 4.4 percent on their production. At enterprises of the meat and dairy industry in Kazakhstan small semifinished meat products are produced at a loss of two percent, while in Latvia the loss is 9.5 percent; at the same time, the production of these products in the country as a whole is profitable.

Special mention should be made of cases where consumer goods production is unprofitable at numerous enterprises of machine building and the heavy industrial sectors. In many cases this is because the particular output is produced in unspecialized shops and sections, without adequate mechanization, making broad use of manual labor, and on a small production scale, in small batches. Production facilities for these goods often do not have essential raw and processed materials. These shortcomings prevent an increase in the production of consumer goods, cause high expenditure for their production, and limit the growth of state financial resources.

The efforts of financial agencies in shaping the financial plans of economic sectors and the draft budget for 1982 should be directed to finding ways and means of significantly reducing unprofitable enterprises and articles in the national economy and further increasing the profitability of production.

The problem of improving the organization and use of working capital is given an important place in the integrated program for further improvement of national economic planning and management and intensifying the influence of the economic mechanism on raising the efficiency and quality of work. Solving this problem will help consolidate cost accounting and financial affairs at the enterprises, associations, and organizations and accelerate growth in production capital and state income. Large stocks of commodity-material assets have been accumulated in the national economy. By the start of 1980 residual amounts of norm-controlled working capital for industry alone were more than 100 billion rubles.

The basic directions of economic and social development of the USSR envision stepping up the rate of turnover of fixed capital in sectors of the national economy by 2-3 days in the 11th Five-Year Plan. It must be said directly that there are significant reserves for improving the use of working capital and commodity-material assets by further improvements in material-technical supply, insuring timely and regular deliveries of raw and processed materials and fuel resources, introducing new machinery and progressive technology, reducing metal-intensiveness, shortening the production cycle, and insuring precise work by transportation to deliver resources and ship finished products on time.

Each year plans and budgets provide an assignment for stepping up the rate of turnover of fixed capital and drawing above-norm stocks of commodity-material assets into economic circulation. The calculations for the draft 1982 budget should also take this assignment into account, and they must do this on the basis of an analysis of the actual state of stocks of material resources and existing reserves for accelerating their rate of turnover. A real savings in expenditures for these purposes should be secured.

A great deal of work was done during the 10th Five-Year Plan to carry out the decisions of the 25th party congress and subsequent Plenums of the CPSU Central Committee on further improvement in the forms and techniques of national economic management and reducing the size and cost of the administrative apparatus. Industry is completing the process of forming associations and continuing work to concentrate and specialize production, improve the structure of management, and reduce the number of levels of management. Associations today produce more than half of all industrial output. Major steps have been taken to improve the structure of management in other sectors of the economy as well.

At the same time, it should be noted that many production associations, enterprises, and organizations in industry, construction, transportation, and other sectors have shown a tendency for the number of administrative personnel to grow faster than the number of workers and employees. This often occurs because certain ministries, associations, and enterprises use the rights they have been given incorrectly. They permit significant excesses in ratifying ceilings on appropriations for maintenance of the administrative apparatus, and do not insure compliance with economy measures in expenditures for management. Unfortunately, cases are still encountered where the number of personnel at already existing enterprises is increased without justification under the guise of appropriations to maintain the management apparatus at newly launched enterprises and organizations. This illustrates that the national economy has real opportunities for more economical use of the capital allocated for this purpose. During development of the draft budget for 1982 financial agencies must give this issue fixed attention. Concrete proposals are needed to simplify the management apparatus, eliminate excess staff, limit expenditures for business travel and other purposes, mechanize management labor broadly, and cut expenditures in every possible way. These proposals should be based on a careful analysis of the structure and composition of expenditures for management with due regard for steps to improve the organization of management and intensify production concentration and specialization. It is essential to analyze the actual state of affairs in relation to management expenditures at each particular association, enterprise, and organization, to identify existing opportunities for economies, and to outline realistic steps to mobilize them.

Capital construction has a large part to play in accelerating the rate of economic development and raising production efficiency. Timely introduction of new fixed capital and production capacities and improving their technical-economic indicators make possible a significant increase in production potential in industry, agriculture, transportation, and other sectors of the economy, a savings of capital, and an increase in state financial resources.

The 26th CPSU Congress directed attention to the existence of serious shortcomings in capital construction. The dispersion of capital investment over a large number of projects has still not been eliminated. Incomplete construction is growing. Projects are launched in operation irregularly. There are cases where resources appropriated for key construction projects are diverted to other projects, often unplanned ones.

The workers of financial agencies, participating actively in the work of planning agencies to shape 1982 plan indicators, should make every effort to concentrate material, labor, and financial resources at key and start-up projects and to work out proposals to reduce the estimated cost of construction, project construction time, and the time required to incorporate production capacities.

Implementation of the program adopted by the 26th CPSU Congress for raising the material and cultural standard of living of the Soviet people presupposes a further increase in budget expenditures to finance sociocultural measures. The 1981 State Budget of the USSR envisioned appropriations of 101.9 billion rubles for these purposes, an increase of 4.8 percent over the previous years. Appropriations for sociocultural measures today comprise more than one-third of all budget expenditures.

Payments and privileges received by the population from public consumption funds will increase substantially during the 11th Five-Year Plan. State expenditures for these purposes will rise 20 percent during this time. Calculations for 1985 alone envision allocating more than 16 billion rubles to centralize measures to raise wages and other payments and benefits to the population.

Financial agencies involved in shaping the indicators of the draft budget for 1982 are expected not only to search for the essential capital to carry out all planned measures, but also to work out a program of steps for rational and economical expenditure of the appropriations that are being allocated. Findings from inspections, audits, and examinations show that sociocultural institutions have significant reserves for economizing, through more effective use of appropriated capital, without harming their work. Specifically, cases of inefficient expenditure of capital for the purchase of equipment and furnishings, incorrect planning of this capital by estimates, purchases of unneeded equipment, purchases of expensive articles, and purchases in amounts exceeding established norms have been found at educational and public health institutions. Equipment at them frequently stands idle for long periods of time.

The topical plans of scientific establishments often envision duplication of scientific research and performance of small jobs on economic contracts, which cannot be classified as scientific investigations.

A special feature of writing the draft budget for 1982 is the fact that new wholesale prices and charge rates are being instituted on 1 January 1982. This increases the responsibility of financial agencies which, together with planning agencies, must be certain that the change in the earnings of suppliers and the increase in costs of customers considered in the calculations correspond to one another. They must recalculate the indicators of the financial plans and estimates without any losses to the state budget. Therefore, it is already time for financial agencies to begin preparations for this job and get to work developing materials that will insure as accurate an accounting as possible of the change in costs for customers and earnings of suppliers owing to the introduction of new wholesale prices and rates.

In the 11th Five-Year Plan the financial agencies must insure mobilization and rational use of enormous state capital. The financial program of the five-year plan is set at an amount of more than 2.4 trillion rubles and exceeds the 10th Five-Year Plan by 400 million rubles or 20 percent. Accomplishment of these grandiose tasks is a matter of honor, and of great importance. Most of the resources, more than 1.5 trillion rubles, must be mobilized and distributed by the USSR State Budget, the basic financial plan of our state. Therefore, successful execution of the budget in the current year and compiling a good draft budget for 1982 become especially important for carrying out the majestic program outlined by the 26th CPSU Congress for further development of the national economy and raising the material and cultural standard of living of the Soviet people.

The basic content of all the economic and monitoring work of the financial agencies should be identifying and using internal reserves and searching for opportunities to significantly raise the productivity of public labor and make better use of production resources.

The economic side of enterprise activity must be the focus of attention for financial workers. This is where the primary reserves for increasing public production lie under contemporary conditions. The analysis of quantitative evaluations of enterprise activity must be complemented by an evaluation of qualitative aspects, that is, by determining the price at which results are achieved. Economic evaluation of the financial-management results of enterprise activity should become the norm in the work of financial agencies. Only in this way is it possible to strengthen the influence toward fuller mobilization of production reserves and growth in saving in the national economy.

During preparation of materials and calculations for the draft 1982 budget it will be necessary to carry out organizational measures toward further improvement in the style and methods of work of financial agencies, and to simplify and shorten budget documents. The creative initiative and activism of each specialist should be directed to working out concrete proposals that intensify the influence of financial agencies on raising production efficiency and improving work quality.

The employees of the financial system, inspired by the decisions of the 26th CPSU Congress, will apply all their strength, knowledge, and experience to meet the challenges posed by the party of finding and mobilizing reserves and intensifying financial monitoring of compliance with strict economy and thrift measures. They will see that the 1982 State Budget of the USSR is written on a high economic level and at the proper time, and will make their rightful contributions to carrying out the majestic plans of economic and social development of the country outlined by the 26th CPSU Congress.

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INVESTMENT, PRICES, BUDGET AND FINANCE

OBSOLESCENCE, RETOOLING IN USSR INDUSTRY DISCUSSED

Moscow EKONOMICHESKIYE NAUKI in Russian No 5, May 81 pp 36-42

[Article by candidate of economic sciences V. Dubrovskiy: "Retooling for Production: Reserves for Efficiency"]

[Text] Capital investments used for the intensification of production serve the aim of raising the technical level of production, in particular through expanding the scales at which obsolete equipment is replaced and thus increasing the "return" of output from each unit in the total pool of production equipment with the minimum capital investment. Under conditions in which equipment becomes obsolete after 10 years, and for individual kinds of equipment after 5 to 7 years, this kind of production intensification is a constant process resulting from the very nature of technical progress, and it is the main form for maintaining reserves in economic development at the present stage.

The party and government give unremitting attention to raising the technical level of production. The need to change the existing system for reproducing fixed capital and retooling and reconstructing existing enterprises was indicated in the decisions of the CPSU 25th Congress and the 12 July 1979 CPSU Central Committee and USSR Council of Ministers decree "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality." The significance of these important investment directions is also retained into the future. In the "Main Directions for the Economic and Social Development of the USSR 1981-1985 and for the Period Through 1990" provision is made for the channeling of capital investments primarily for the reconstrcution and retooling of enterprises and completion of construction projects started earlier. "Equipping new enterprises and expanding existing enterprises is undertaken when the national economic demand for a given type of output cannot be met by improving the use of production capacities, taking into account reconstruction and retooling."[1]

Successful fulfillment of the tasks set by the CPSU 26th Congress for the most complete realization of the advantages of production intensification through retooling and reconstruction requires further work on a number of methodological and organizational questions. First and foremost, it is important to clarify the specific nature of work connected with the implementation of retooling and reconstruction, since in practice this work is difficult to differentiate.[2] Thus, replacement of obsolete equipment is an excellent indication not only of retooling at existing enterprises, but also reconstruction. The experience gained in the industrial sectors during past five-year plans testifies convincingly that under conditions of the multiple-goal nature of reconstruction measures, priority is by no means always given to expenditure on equipment replacement. A whole series of examples can be cited on nonobjective evaluation of the technical level of enterprises as a result of which the economic benefit derived from the replacement of obsolete equipment is absorbed by the significant volumes of nonproductive expenditure in equipping secondary units. According to available calculations, of the total amount of capital investments used for the reconstruction and expansion of enterprises, in recent years only 9 percent was used for reconstruction without new construction.[3]

In our view, the replacement of obsolete equipment could be excluded from the work done on reconstruction and be regarded merely as one element in the retooling of existing enterprises. The high effectiveness of this latter lies in the fact that expenditures on the replacement of obsolete equipment combined with a minimum of essential construction and assembly work are not incurred in uncompleted construction but they do provide a rapid return by sharply reducing the circulation of capital investments. According to available assessments, investments in retooling enterprises have a short cycle and should not exceed 2.5 years.[4] As comrade N.A. Tikhonov noted in his report to the CPSU 26th Congress, assets allocated for the reconstruction and retooling of existing enterprises "are recouped on average three times more rapidly than in the creation of similar production capacities through new construction."[5] Here, it should be borne in mind that in a number of cases the primary channeling of capital investments to retool existing enterprises may enable enterprises to avoid the need to undertake more costly reconstruction that pursues the same goal--raising the technical level of production. Practice shows that enterprises sometimes undertake reconstruction only when fixed capital has been reduced to such a degree of obsolescence that it is no longer efficient to use it. Instead of economically advantageous and planned technical progress under conditions of constant reequipping of enterprises on a new technical basis, when large capital investments are not required, there is slow assimilation of capital investments and capital construction is dragged out way beyond any normative periods and far exceeds the initial estimated costs for reconstruction projects.

The role and significance of retooling existing enterprises will be considerably enhanced in the long term in connection with the changing nature of reproduction of the passive part of production capital and more rational plans for production areas at plants. There is still a tendency in industrial construction to plan small, individual buildings and installations, and as a consequence, assets used for reconstruction are largely absorbed by structural engineering work at the enterprises, lowering the effectiveness of capital investments. Making progressive decisions for the general plans for buildings on an enterprise site and planning major enterprises to be housed in a single, or at most two or three large buildings, considerably enhances the effectiveness of capital investments used for production intensification. A course aimed at equipping such buildings on the basis of maximum ganging of workshops and production facilities will provide an opportunity in the long term to adapt them to partial reconstruction of technologic processes and layouts for equipment, and consequently retooling of the enterprise will be more efficient.

Another realistic way of reducing expenditure connected with the need to renew structural facilities at enterprises during reconstruction, and thus raising the priority of investment projects for retooling, is the development of lightweight buildings that can be rapidly dismantled and if need be, moved. According to the most conservative estimates available, in the future the share of capital investment can be reduced 15-20 percent through the use of lightweight buildings.

One feature of investment policy aimed at retooling existing enterprises at the present stage is that the policy involves goal-oriented programs formulated at the national economic level within the framework of major investment projects and on sector scales. Experience is being gained in drawing up and implementing these programs. We cite in particular the comprehensive program for the retooling and reconstruction of enterprises in Sverdlovskaya Oblast. Realization of the retooling program depends largely on the opportunities available for insuring resources for new equipment. From the national economic viewpoint, taking the deficit into account, it is important to determine correctly and to provide backup for a system of priorities for the formulation of programs for the retooling of existing enterprises by sectors or major production facilities.

The opinion exists that for a final decision on precedence in the use of capital investments for retooling in a given sector it is necessary to compare current relations in labor productivity growth and the labor/capital ratio with the size of net output, which can be derived from labor productivity growth resulting from equipment renewal.[7] A rational relationship between the rates of labor productivity growth and the labor/-capital ratio is an important indicator characterizing the reproduction process. But it is not considered possible to calculate everything on this basis alone. First of all, there need be no direct relationship between the renewal of production equipment (and the extra size of net output that may be achieved through improved labor productivity) and the actual indicators for labor productivity and the labor/capital ratio in order to make a final decision to retool. In a number of industrial sectors equipment is worn out beyond the permissible limits and the need for renewal is quite obvious. At the same time it is not possible to proceed from the premise that under the conditions of developed socialism profit is the universal criterion for the choice of rational ways of more profound intensification of production; in other words, the social aspects of the process cannot be ignored.

As was noted at the CPSU 26th Congress, retooling of the national economy and its transfer to an intensive path present exceptionally serious problems for machine building.[8]

The more effective participation of machine-building enterprises in providing full sets of equipment for existing production facilities and new construction sites and the provision of turnkey projects constitute a most important condition for improving production efficiency. It should be emphasized, however, that success will depend largely upon how the responsibility of our machine-building sector is enhanced with regard to the production of output at the planned level. The CPSU Central Committee decree "On the Experience of Work in the Ministry of the Chemical and Petroleum Machine Building on the Organization of Production and Delivery to Construction Sites of Full Sets of Equipment in the Light of the Decisions of the CPSU 25th Congress" dealt with this.

Experience gained has shown that complete-unit deliveries are in the final analysis advantageous both for the customer and the assembly workers. But there are unresolved questions here. Thus, practice has shown that it is necessary to establish a state standard for sets of technologic equipment delivered by the machine-building enterprises of the various ministries. Examples are legion where this kind of equipment is not compatible with the assembly technology. By no means all enterprises of the machine-building ministries that participate in the delivery of complete sets of technologic equipment compile work schedules for the most important projects. And while the head plant of the main ministry with which the assembly workers are doing business tries to meet this requirement, it is difficult to achieve it with regard to other ministries.

It is very important to link the production and delivery of sets of equipment with plans for work at existing enterprises. The question arises of who should coordinate this. In this regard, positive experience has been gained, for example, by the USSR Ministry of Installation and Special Construction Work State Institute of Planning, Technology and Installation of Enterprises of the Chemical Industry, which is drawing up production plans for assembly work at projects of the chemical and pulp and paper industries. The assembly organizations are linked directly only with the head enterprise of the Ministry of Chemical and Petroleum Machine Building. The effectiveness of this kind of organization is obvious. However, it should be reinforced with adequate incentive for those involved in the delivery of sets of equipment so as to raise its technical level. Primarily it is essential to alter the assessment criteria for the activity of such ministries since they are most interested in cost assessments for production programs and not in the delivery of output of the required products list. True, in accordance with a USSR Gosplan decision, since 1978 the production and delivery of equipment have been planned according both to cost and products list, but this still applies exclusively to metallurgical equipment and does not affect other sectors.

It is also important to regularize work on the reallocation and sale of surplus equipment that is still serviceable, and of unwanted equipment. Enterprises get rid of obsolete and surplus equipment, but most of it is not sold but scrapped. This is not always efficient from the national economic standpoint. Lack of a system and the haphazardness in this work is the main of cause of surplus and unwanted equipment, and sometimes new equipment, being sold only in insignificant quantities in the USSR: the total amounts to no more than 8 percent of the volume of withdrawn fixed capital.

The sale of unwanted equipment and the reallocation of surplus equipment that is still serviceable during the course of retooling and reconstruction at existing enterprises is a task of paramount importance, not only for today but also in the long term in connection with the further intensification of production. Meticulously organized work to market and reallocate new and serviceable equipment will provide an opportunity to satisfy a considerable part of demand from a number of production facilities at which the requirement for accuracy is not high, without using centralized funds, and thus to change the traditional ideas about equipment deficits and to ease the strain in investment sphere sectors. Questionnaires at machine-building enterprises indicate that more than half of former metal-working equipment can be used at enterprises under ministries other than the machine-building ministries.

In addition to the enterprises, ministries, and also the territorial administrations of material and technical supply, are now engaged in marketing and reallocating equipment. However, this work still lacks a basis for matching and operational efficiency. There is a need for a single organ that would be engaged in finding unwanted and needed equipment and in keeping the appropriate records and setting up the economic links. Some form of enterprise accountability obliging enterprises to inform these organs [as published] on a regular basis both about surplus equipment in their possession that for one reason or another is not being used, and about withdraw equipment and the time periods involved would be a great help. This would make it possible to completely match the sale of equipment and its delivery to interested enterprises. It would be useful for the appropriate services of such organs to know about the long-term plans for retooling and reconstruction at existing enterprises. It is essential to weigh the effectiveness of work done by the territorial administrations of material and technical supply if they they are given this function.

It may be that the new services in material and technical supply administrations will not be able to provide a conclusive resolution of this question. There is, we suggest, a feeling that their activity should be supplemented by the creation of cost-accounting firms to buy up and sell surplus equipment and equipment that they themselves would hold. Such firms could themselves do major repair and maintenance work on the equipment purchased or cooperate with the intersector centralized repair plants. In our view, one promising function for such firms could be equipment leasing. In some cases this would provide an opportunity, in particular, of overcoming the "psychological barriers" that still exist in practice because some shop chiefs are unwilling to give up obsolete or unwanted equipment.

There is now an acute need to consider the interrelationship between the retooling processes and the balance of labor resources, especially workers with machine-tool specialties; in recent years a definite strain has been felt in this area. It is quite possible to reequip shops with the latest equipment, but if they do not operate at full capacity and there is down time on a second shift, the expenditures incurred will not give the expected effect. Practice shows that it is not always possible for enterprises to find a full complement of machine-tool operators even for one shift. Much attention is being given to the question of training workers, primarily through the system of vocational and technical education, but there is still a shortage of machine-tool operators. Solving this extraordinarily important problem requires great effort based on a comprehensive approach; obviously we should not be oriented exclusively on providing these operators by training them within the vocational and technical education system or through the worker job-placement organs.

Enormous reserves exist for easing the strained balance of machine-tool operators through the mobilization of internal production reserves. This applies first and foremost to operators' ability to work on more than one kind of machine. According to calculations made, for example, using the enterprises of Sverdlovskaya Oblast, if 5 percent of operators trained to work only on a single type of machine in 20 plants were trained to handle more than one, this would be the equivalent of staffing a new plant with more than 16,000 machine-tool operators. [9] However, the possibilities of using operators to work on more than one kind of machine are not being fully exploited. Of course, the spread of this practice depends on the specific conditions prevailing in production and the kind of series production involved. The availability of numerically controlled (NC) machine tools on which multiple operation can be most applicable, is very important. Studies done at enterprises indicate that shop leaders do not always show interest in exploiting NC machine tools because of the high cost of such equipment. For example, a DG315S machine costing R41,000 installed at the Moscow Krasnyy proletariy Plant to replace general-purpose equipment has lowered labor input by a factor of two or three and wages costs by a factor of four, but at the same time there is no "compensation" for depreciation allowances which have increased by a factor of more than 10.

Note must also be made of the insufficiently high level of organization in the operation of NC machine tools, primarily their dispersion across a great number of enterprises. The facts show that most enterprises have less than five NC machine tools, and as a result break-even periods for this equipment are greater than 10 years; it is economically expedient to set up at least 10 of these machines. According to calculations made by machine builders, the industrial introduction of3,500 such sections each with an average of 15 machines would make it possible, given the same production volumes, to reduce demand for machine tools by 320,000 units and demand for qualified operators by 130,000, while production areas could be cut back 10 million square meters. This is equivalent to the commissioning of more than 60 major new machine-building enterprises.[10] The need to set up these kinds of sections is also indicated by the fact that the low concentration of NC machine tools is causing a sharp increase in their cost compared to base machine tools.

Auxiliary production has at its disposal considerable reserves for supplementing the contingent of workers with machine-tool specialties, primarily through the search for optimum structures for labor resources. More than one-third of machines used at enterprises are now found in auxiliary production facilities, in which are concentrated a considerable proportion of those operators working with metal-cutting equipment. Programs for the retooling and reconstruction of existing enterprises also provide for qualitative changes in auxiliary production. One important requirement when working up local projects for reequipping should be reductions in the labor force. This kind of experience has already been gained. Thus, the Ukrainian State Institute for the Planning of Metallurgical Plants has worked on investment projects for the retooling and reconstruction of all auxiliary services in USSR ferrous metallurgy through 1990; at present a considerable quantity of obsolete and dilapidated equipment and shops are still functioning.

It is, however, important to emphasize that work in this direction should be reinforced by the creation of appropriate normative documents. In our view it is now urgently necessary, taking into account the specific nature of individual production facilities, to establish optimum relations between main and auxiliary work forces. The present sector normatives are now largely outdated. As a rule, in practice the enterprises themselves establish this relationship, and throughout industry as a whole the picture is very spotty. At leading enterprises that have achieved marked success in improving the structure of the labor force, the number of auxiliary workers makes up about 30 percent of the total work force. This is considered a good indicator, but experience in reducing the numbers of auxiliary workers shows that this, too, is far from optimum.

A correct relationship between main and auxiliary machine tools in the technologic sets of equipment will offer substantial aid here. Particular attention should be paid to this important consideration since in practice this relationship is not regulated. Proper regulation of the ratios of main and auxiliary equipment makes it possible to bring order to the available auxiliary equipment and, most importantly, to transfer redundant machine operators to main production.

Finding new ways of enabling auxiliary workers to operate in main production sections is an important consideration; the ways found should make it possible to reduce the total contingent of auxiliary workers. Experience gained in setting up comprehensive work crews that include auxiliary maintenance fitters, electricians, riggers and crane operators along with the main production workers deserves careful study. This kind of undertaking promises substantial economic advantages.

FOOTNOTES

1. PRAVDA 5 Mar 81 p 5

2. In accordance with a joint decision adopted in April 1975 by the USSR Gosplan and the USSR Gosstroy, the main differences between retooling and reconstruction is that the latter is done in accordance with a unified plan that covers the entire enterprise or production facility, while retooling is as a rule carried out on the basis of the corresponding plans for individual local projects and estimates. In practice, the question constantly arises of how to regulate the scales of local retooling projects at existing enterprises and how they should differ from reconstruction work carried out in accordance with the unified plan. Here, the concepts of "reconstruction" and "retooling of existing enterprises" require clarification in the context of the specifics for each sector, since work, say at machine-building and metallurgical plants differs substantially. Moreover, production intensification presents new problems not earlier considered in the reconstruction plans drawn up. Thus, for example, expenditures on environmental protection have now risen sharply.

3. V.K. Fal'tsman. "Intensifikatsiya razvitiya proizvodstvennogo apparata" [Intensification in the Development of the Production Apparatus], VOPROSY EKONOMIKI No 1, 1978 p 33

4. V.P. Krasovskiy. "Problemy ekonomiki kapital'nykh vlozheniy" [Economic Problems in Capital Investments], Moscow 1967 p 86.

5. N.A. Tikhonov. "Osnovnye napravleniya ekonomicheskogo i sotsial'nogo razvitiya SSSR na 1981-1985 gody i na period do 1990. Doklad na XXVI s'yezde KPSS 27 fevralya 1981 goda" [Main Directions in the Economic and Social Development of the USSR 1981-1985 and for the Period Through 1990. Report at the CPSU 26th Congress, 27 February 1981], PRAVDA 28 Feb 81 p 3.

6. R.M. Merkin. "Zdaniyam i oborudivaniyu--soglasovannye sroki sluzhby" [Agreed Periods for the Service Life of Buildings and Equipment], EKONOMIKA I ORGANIZASTIYA PROMYSHLENNOGO PROIZVODSTVA No 1 1975 pp 38-42; ibid. "Prodolzhitel'nost' stroitel'stva i kharakter promyshlennogo zdaniy" [The Length of Time Taken for Construction and the Nature of the Industrial Building], EKONOMIKA STROITEL'STVA No 7, 1975 pp 44-46

7. Ye.I. Ivanov, "Problemy vosproizvodstva osnovnykh fondov v usloviyakh intensifikatsii narodnogo khozyaystva" [Problems in Reproduction of Fixed Capital under Conditions of Intensification of the National Economy] in "Metody i praktika opredeleniya effektivnosti kapital'nykh vlozheniy i novoy tekhniki" [Method and Practice in Determining the Effectiveness of Capital Investments and New Equipment], Moscow 1977, 28th edition, p 9.

8. N. A. Tikhonov. op. cit.

9. V.M. Smirnov. "Mnogostanochnoye obsluzhivaniye: razvitiye i ekonomicheskiy effekt" [Multiple Operation of Machine Tools: Development and Savings], Moscow 1976 p 5.

10. A.S. Grishin. "Ispol'zovaniye novoy tekhniki na mashinostroitel'nykh predpriyatiyakh" [The Utilization of New Equipment at Machine-Building Enterprises] Moscow 1975 p 16.

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INVESTMENT, PRICES, BUDGET AND FINANCE

STRUCTURAL CHANGES IN GNP, NATIONAL INCOME REVEALED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 81 pp 40-53

[Article by Doctor of Economic Sciences, Prof P. Ignatovskiy: "Shifts in the Relationship of Aggregate Social Product and National Income and Their Structures"; the article is written as a point of departure for discussion]

[Text] The aim of socialist social production is to satisfy the needs of society and man. This is realized through the end result, the aggregate social product, which is expressed in its two forms, material-physical and cost. But the aim of production in and of itself presupposes the presence of social product in physical terms, that is, in the specific form of its consumption. At the same time the dividing of social product into two subdivisions--the production of the means of production and the production of consumer goods--is possible only in cost terms.

This form of expressing aggregate social product makes it possible in a most general form to show the growth dynamics of gross social product and its component, national income, which represents the newly created product in monetary terms. At the same time, such a form of expression maintains all the contradictory elements of the value form for the formation and movement of the product of labor. It is subjected to the influence of prices which to a certain degree distorts the real quantitative and qualitative characteristics of the created product. And the stronger this influence, the greater the gap of the cost values of aggregate social product from social needs and the more difficult it is to satisfy them, since they presuppose a real product in a physical form and in definite quantitative standards. Or if, let us assume, it requires an average of 80 kg of meat per year to satisfy the needs of a person, whatever the value cost we used in the economic calculations for this amount of the given product, the demand of society for it would be satisfied only upon reaching precisely this level of product output in physical terms.

However, the effectiveness of expenditures on product output can be represented in a cost expression like the effectiveness of social production while the amount of its end result--aggregate social product and national income--can be determined in a value form. This is inevitable under the conditions of commodity-monetary relations, although labor in socialist production by its nature is directly social and organizable on a scale of the entire society on a basis of the planned and not the commodity-market distribution of the labor force, the natural and other material and financial resources. Precisely this basis comprises the essential nature of socialist production and it cannot be shaken even by the broadest proposals on the paid nature of the resources in a socialist society.

Payment which is not accompanied by a change in the form of ownership of the material and physical resources does not involve the essential aspect of the socialist nature of production for aggregate social product and does not alter the nature of its appropriation by the socialist society which with exceptional vividness manifests the uniformity of the two forms of socialist ownership. The nature of the appropriation of aggregate social product and national income expresses the directly social and not the goods-for-money equivalent essence of exchange of values within the socialist society between its two sectors, state and cooperative-kholkhoz. The latter operate not as market agents but rather as participants in the national cooperation of labor which carry out unified social expanded reproduction of aggregate social product on a basis of a unified plan for the nation's economic and social development for the purposes of satisfying the national and individual needs.

For this reason, precisely the real product and its natural-physical characteristics are of interest for all society, for each sector of its production and for each member. This objective basis in the relationships of the participants of socialist production must determine their specific ties over the question of manufacturing the specific product as a component part of aggregate social product. It is no accident that the question of the "varying advantage" of products within one or another enterprise, association or sector has not obtained a constructive solution. It derives not from the nature of the socialist production of aggregate social product but rather from the mechanism of the cost accounting ties which objectively do not possess those possibilities for solving it which are inherent only to a spontaneously operating market. In its essence this is precisely the problem and precisely it is capable of solving the problem using freely formed prices which continuously fluctuate under the effect of market conditions, supply and demand.

The constructing of the elements of the given problem under the conditions of a socialist society is based on an underestimation of the essence of the directly social nature of socialist production and social needs the satisfying of which is carried out, as was stressed by V. I. Lenin, by all society in the aims of the development of the individual.[1] And this aim which was confirmed in the documents of the 26th CPSU Congress and not merely "gain," comprising the drive spring of social production, the basis of its success and the main basis of production and wealth,[2] applies to each production collective and to each worker. Precisely from the designated essence of socialist production derives the ideology of socialist production ties which express interests that are socialist in their nature. With the slightest deviations from this fundamental feature of socialist production, the psychology of a narrow departmental approach is formed to socialist production and to the structure of creating aggregate social product, in giving rise to an atmosphere of neglect for the needs of the national economy and the Soviet man. Elements of irresponsibility arise for the rational use of the productive capital which comprises socialist property, in the interests of the people and not in narrow-group, transitory interests related to various forms of the expression of "gain."

With such deviations a socialist society encounters various manifestations in trade of the scarcity of even those articles the manufacturing of which is not held up by material resources or production capacity. Mention is often made of the so-called washing out of the production range of articles which are inexpensive but very essential to the people. At the same time there are more frequent attempts to establish an approach to socialist production and to the interests of society solely from the position of "gain." But such proposals are unable to change anything in the given question and merely help to create an atmosphere in which for certain workers it becomes permissible to act against the interests of the people. Arguments about the differing advantageousness of production indirectly justify such actions.

Here there is often an understatement of the importance of a political approach to production, of the relationship between political policy and the economy and the role of an awareness of the essence of state interests which, as L. I. Brezhnev emphasized in the Accountability Report of the CPSU Central Committee to the 26th Party Congress, should always stand higher than the interests of the individual ministries and departments. The congress confirmed that the point of departure for the political approach to the economy has been and is the permanent program demand of everything for the sake of man, for the good of man.

The actual reconciliation of the interests of a socialist society is achieved through the indicators of the economic mechanism which, certainly, should be improved and meet the principles of cost accounting. But the indicators of the economic mechanism are subjective, constructable instruments for regulating production which, like prices relative to value, only approximate the equivalence of the component elements in the structure of the interests of a socialist society in producing the aggregate social product.

It is in no way simply a question of organizing planning and cost accounting in such a manner as to ensure a full coinciding of all interests at each individual moment of production or an objective demand for each type of the millions of products. But there are objective factors which constantly determine the relationships of the producers and their activities. Among them is the socialist nature of production which is carried out by all of society and not by a certain group of producers. It is no accident that each worker at a state enterprise receives his share of aggregate social product regardless of the time that the fruits of his labor are realized. This share, like the public consumption funds designed to satisfy the needs of the worker and his family, of course, presupposes the realization of the interests of all society, as a condition for satisfying the personal needs of each. For this reason *an awareness of this objective dependence serves as the determining principle in reconciling the interests of a socialist society and shaping the attitudes of people in the process of producing aggregate social product.* The given condition of socialist management cannot be replaced by the most perfect levers of the economic mechanism.

Stemming directly from the objective nature of socialist production is the action of the economic law of a continuous rise in labor productivity as the basic source for aggregate social product and national income. Certainly, the action of this law depends upon the material conditions of production, but far from the last role is played by the worker, by his attitude toward labor and toward the interests of society and the collective, by his skills and by the organization of labor. The designated factors have always been decisive, but at present, with a powerful production and technical potential, their role is becoming even more tangible in raising the productivity of social labor. Proceeding from the content of economic gain and its realization on the level of the collective or the individual worker, it is not easy to solve the problem of ensuring the objective requirements of society and its natural pattern of a continuous rise in labor productivity. This is confirmed by the facts of real reality and by the dynamics of labor productivity in the individual sectors under the conditions of improving the actual distribution of gross income of the enterprises, associations and sectors.

The production of aggregate social product has been growing significantly. Thus, gross social product in 1980 was 1.061 trillion rubles. Its absolute increase in 1970-1980 in comparable prices reached 424 billion rubles. Here it is essential to point out that the dynamics of aggregate social product during the years of the Tenth Five-Year Plan were influenced by fluctuations in the production of agricultural products, and in particular, by the decline in the grain harvest in the bad year of 1977, in comparison with 1976, by 28.1 million tons, or by 12.5 percent, and in the very severe year of 1979 in comparison with 1978 with a drop of 58.2 million tons, or 24.5 percent. Such a significant grain shortfall caused a slowdown in the increase in the production of meat, milk and eggs.[3] All of this told on the growth of aggregate social product both in physical and cost terms.

An analysis of the sectorial structure of aggregate social product is of interest here. In 1970 the share of the sectors of material production (industry, agriculture and construction) were responsible for 90.2 percent of the gross social product; the remaining portion was created in the sectors of transportation and communications, trade, material-technical supply, procurement and so forth. The share of material production in aggregate social product in 1975 was 89.5 percent and in 1978, 88.6 percent (here the 2.1 percent decline in the share of agriculture in 1978 in comparison with 1965 was felt).

The production of aggregate social product grew rapidly in the industrial sectors which in 1978 were responsible for 63.8 percent of its value. In 1965-1978, the production of aggregate social product in industry increased by 2.38-fold. The bulk of aggregate social product increased even more rapidly in the sectors of trade, procurement, material-technical supply and others; over the designated period this rose by 2.85-fold.

In order to establish the nature of the shifts in the value structure of aggregate social product and thereby disclose what sources have chiefly been responsible for its growth, let us endeavor to determine the ratio of transferred value (material expenditures) and newly created value (national income) in the structure of aggregate social product (in actual current prices).

As is seen from Table 1, aggregate social product in 1965-1979 rose by 2.44-fold. This growth was largely achieved due to transferred value, that is, the production material expenditures which increased over the designated period by 2.6-fold, while newly created value rose by 2.26-fold. From the data given, one can conclude that the growth of aggregate social product was accompanied by a rise in the material intensiveness of production, a phenomenon which may not tell positively on the efficiency of social production and entails consequences leading to tautness in the raw material and other material balances. Here it must be considered that the data given above characterize the value and not the physical structure of aggregate social product. Consequently, it is important to compare the material expenditures not only according to actual prices but also comparable prices.

Table 1
(in billion rubles)

	Dynamics over Years				
	1965	1970	1975	1979	1965 to 1979
Aggregate social product	420.2	643.5	862.6	1028.1	2.44
Production material expenditures	226.7	353.6	499.3	589.8	2.60
Produced national income	193.5	289.9	363.3	438.3	2.26

In the cost structure of aggregate social product, the share of material expenditures in 1965 was 53.95 percent, in 1970 it was 54.94, in 1975, 57.88 and in 1979 57.36; correspondingly, the share of national income declined from 46.05 percent in 1965 to 42.64 percent in 1979. This occurred with a significant increase in the volume of wages in the sectors of material production resulting both from the increase in wages and from the hiring of new contingents of workers in the production sphere. In the industrial sectors alone, the wage level arose from 104.2 rubles in 1965 to 180.4 rubles in 1979. During this same time the average annual number of production-industrial personnel increased by 6,731,000 persons, reaching 30,226,000 persons. Thus, the volume of wages in the industrial sectors increased by 2.23-fold.

Nevertheless, the rise in the level of mechanization and automation in the production processes, the greater complexity and greater costs of equipment, like the greater costs of raw materials extracted under less favorable economic conditions, brought about a decline in the proportional amount of national income (in actual prices). Such a trend can develop with a reduction in the hiring of additional manpower in industry and other sectors of material production. However it is being offset by the rise in labor productivity which has basically been responsible for the increase in national income.

The product structure of the industrial sectors and the ratio of the production of the means of production and consumer goods have been characterized by a certain stabilization as can be seen from the data of Table 2 on the proportional amount of the production and the means of production and the production of consumer goods in the total volume of industrial product.

The production of the means of production has prevailed steadily in industry, reflecting to a certain degree the structure of all aggregate social product. *When it is a question of the structure of social product created in industry, agricultural raw materials are viewed only in relation to the output of end product for the "B" group. But in examining the ratio of the first and second subdivisions of all social product, it is essential to bear in mind that the agricultural products going into industrial processing (raw materials for the enterprises of the food and light industry) comprise subjects of labor which are incorporated as part of the means of production and for this reason relate to the first subdivision of social production.*

Table 2*
(in %)

	Dynamics over Years						
	1965	1970	1975	1976	1977	1978	1979
Production of means of production ("A" group)	74.1	73.4	73.7	74.0	73.9	74.0	74.0
Production of consumer goods ("B" group)	25.9	26.6	26.3	26.0	26.1	26.0	26.0

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*"Narodnoye Khozyaystvo SSSR v 1979 Godu" [The Soviet National Economy in 1979], p 136.

Thus, the shortfall and a loss of the portion of agricultural product tell not only on the proportional amount of industrial product of the "B" group but also on the ratio of the first and second subdivisions.

With the existing level of satisfying the demand of the public for consumer goods, our society is interested in increasing the share of the "B" group in the production structure of industrial product and the share of the second subdivision in all social production. For this reason the Basic Directions in the Economic and Social Development of the USSR for 1981-1985 and for the Period Up to 1990 envisage higher growth rates for the product of the "B" group of industry in comparison with the growth rates of product in the "A" group.

The main thing is in the material and organizational support for carrying out this task. By the end of the Ninth Five-Year Plan, out of the total bulk of consumer goods (the "B" group) produced by industry, 27 percent was light industry product, 46.8 percent was product of the food and flour and groat industry and 26.2 percent product of the heavy industry sectors. At the end of the Tenth Five-Year Plan, this ratio had changed in favor of the heavy industry sectors (the share of which had increased up to 29.1 percent) and insignificantly for light industry (its share was 27.5 percent) with a decline in the share of the food industry to 43.4 percent.[4]

Over the long run the output of consumer goods will grow at the enterprises of the heavy industry sectors as well as the other sectors which due to the existing division of social labor are specialized basically in the production of the means of production. This is caused by the basic aim of socialist production and by its subordination to the needs of society. However a rise in the production of food and other consumer goods should influence the level of the proportional amount of product from the food industry and a certain portion of light industry. This rise presupposes the technical reequipping of the existing light and food industry enterprises and the building of new types of production, that is, a rise in national economic demand for the implements of labor as well as for the subjects of labor--fuel, electric power and raw materials.

Analysis indicates that in the structure of the industrially manufactured means of production (the "A" group), four-fifths of the product volume comes from the subjects of labor (raw product, material, fuel and electric power) and only one-fifth from the means of labor. But in recent years there has been a shift toward an increase in the proportional amount of the means of labor in the production structure of the means of production (Table 3).

Table 3*
(in %)

	Dynamics over Years				
	1975	1976	1977	1978	1979
Production:					
Means of labor	19.4	19.5	19.6	16.7	20.2
Subjects of labor	80.6	80.5	80.4	80.3	79.8

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*"Narodnoye Khozyaystvo SSSR v 1979 Godu," p 137.

As we can see, the tendency for the proportional amount of the means of labor to rise in the production of the means of production has been growing, expressing the need of the scientific and technial upgrading of production, although in the future the more rapid production of the means of production will be achieved basically from the subjects of labor. Thus, the efforts aimed at increasing the production of agricultural products, the reduction of their losses and the broadening of industrial processing will help to increase the product volume of the first subdivision and in particular the subjects of labor for the "B" group and to obtain an end product relating to this group.

One is struck by the following indicators for the distribution (use) of the means of production in the two subdivisions of social production:

Table 4*
(in %)

	Dynamics over Years				
	1975	1976	1977	1978	1979
From total volume of the production of the means of production, production was:					
For 1st subdivision	71.3	71.5	71.6	71.6	71.7
For 2d subdivision	28.7	28.5	28.4	28.4	28.3

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*See "Narodnoye Khozyaystvo SSSR v 1979 Godu," p 137.

The predominant bulk of the means of production is used by producers within the 1st subdivision and this corresponds to the Marxist-Leninist theory of reproduction. Here it is possible to have movements between the two subdivisions of social production caused primarily by the scope of scientific and technical progress and by the need to develop the base national economic sectors which supply the means of production--both the implements and subjects of labor--for all social production. The rise in labor productivity will be accompanied by the growth of the productive consumption of the subjects of labor. Because of this, society is interested in a rapid increase in the production in the means of production and in particular the subjects of labor, the scarcity of which has checked the growth of production and labor productivity in all social production, including its second subdivision.

An analysis of the production structure of industrial product, including the ratio of the "A" and "B" groups, partially sheds light on the trends in the shifts in the structure of all social product, that is, all social production. However with such an approach one can only judge the trend in the structural shifts in producing aggregate social product but in no way their quantitative characteristics.

In order to gain a notion of this aspect of the movement of the structure of aggregate (gross) social product, let us use the data of three intersectorial balances (for 1959, 1966 and 1972 in comparable prices of 1972) as published by the USSR TsSU [Central Statistical Administration] and given in Table 5.

Table 5
(in %)

	Dynamics over Years			
	1959	1966	1972	1973
Means of production	60.3	63.2	63.4	63.6
Consumer goods	39.7	36.8	36.5	36.4

The data of the intersectorial balances on the structure of aggregate social product, like the indicators for the ratio of industrial product of the "A" group and the "B" group, show a tendency for a gradual shift in the ratio of the first and second subdivisions of social production toward an increase in the share of the means of production (the 1st subdivision). This phenomenon is in no way accidental. It has a permanent, essential nature and is inherent not only to the initial stage of the industrialization of social production but also to a mature economy. Its permanency is related to the rise in the proportional amount of the sectors of the manufacturing industry, and in particular, to the widening process of agricultural raw materials and economic measures requiring means of production operating as protective installations. Here also we can feel the deterioration in the quality characteristics of natural mineral raw materials and in particular, iron and nonferrous metal ores.

All these changes reflect a growth of the share of the means of production--both the implements and subjects of labor--in the structure of social production. Although in planning practices efforts have been made to bring the growth rates of the production of industrial products of the "A" and "B" groups closer together and under certain conditions such a drawing together and even a certain outstripping of the growth rate of product in the "B" group sectors have been achieved, nevertheless the designated objective conditions express a pattern in the long-term development of the ratio of production for the means of production and consumer goods. It is a question of the development of the productive forces, the action of scientific and technical progress, a deepening of the division of social labor and the related broadening adaptation of nature to the needs of man based on rapidly growing production of the means of production (both the implements and the subjects of labor).

The prerequisites for the growth of social production are primarily in the form of a growth of production of the means of production. Precisely they, regardless of the dividing into the implements of labor and the subjects of labor, determine the economic development prospects and the level of satisfying the needs of socialist society and man. We feel that this circumstance is particularly important under the conditions of the greater turning of the production of aggregate social product toward a further improvement in the material well-being of the Soviet people.

For concluding a description of the shifts in the structure of aggregate social product and the parts of it produced in the first and second subdivisions of social production, let us use analyses of data from the intersectorial balances of 1959, 1966 and 1972 (in the prices of the corresponding years).

The data contained in Table 6 show a rise in the proportional amount of material expenditures in the structure of aggregate social product. But as was already pointed out above, it is a question of a cost measurement and here in the current prices of the corresponding years.

In an of itself the fact of a rise in the material intensiveness of production may not be alarming since it tells on the efficiency of social production. We might point out that in the structure given in the table for aggregate social product, the value expression of material intensiveness is particularly apparent in the first subdivision of social production.

But this is precisely a cost expression and one represented in current prices to which a deviation from socially necessary expenditures is inherent. At the same time material expenditures in the production sphere are a real social phenomenon which presupposes economic relationships and definite economic interests which are in no way aimed at increasing the consumption of material per unit of product. A socialist society is interested in reducing the material intensiveness of production and it ensures this goal by a specific focus of economic policy and the production ties of producers, influencing them through the economic mechanism.

Consequently, the direct producer not only objectively but also by incentive measures in the specific economic organization is encouraged to reduce material expenditures. And the given aim, being a matter of economic relations, is realized by the entire system of these relations. For this reason one must not make uniform conclusions from the value indicators showing material intensiveness in the production of aggregate social product (in particular the product of the first subdivision of social production) as represented in current prices.

Table 6*
(in %)

	Production material expenditures	Wages and other types of labor payments	Surplus products
Aggregate social product			
1959	50.8	26.1	23.1
1966	54.4	23.9	21.7
1972	56.3	22.0	21.7
Means of production			
1959	52.1	29.5	18.4
1966	57.7	24.7	17.6
1972	59.5	22.2	18.3
Consumer goods			
1959	49.0	21.3	29.7
1966	49.2	22.6	28.2
1972	50.8	21.7	27.5

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*PLANOVOYE KHOZYAYSTVO, No 8, 1975, p 123.

The general trend in socialist production caused by the nature of its economic relations and by social interests consists in reducing the material intensiveness of the product. The socialist state proceeds from this objective tendency in planning the quotas to reduce material expenditures in their physical expression and in introducing into the national economy progressive, reduced rates for the proportional consumption of raw products, materials, fuel and electric power per unit of product.

But let us return to the table's indicators. We have already noted the growth in the value of material expenditures in the first subdivision of social production. As is known, machine building is the largest producer of the means of production. Ferrous metals serve as the basic material for this type of production. By the end of the Tenth Five-Year Plan the machine building enterprises were consuming more than one-third of the rolled metal, over 40 percent of the cast iron, two-thirds of the case steel and over 60 percent of the forged pieces from billots and stampings.

If one traces the logic of the value indicators in the table (calculated in current prices), then one might expect an increase in metal consumption per unit of product. In actuality, metal consumption is rising in machine building, but there has been a much more rapid increase in the bulk of the product manufactured with a reduction in the consumption (a savings) of metal. Thus, during the years of the Tenth Five-Year Plan, the machine building sectors saved 15 percent of the rolled metal and this was the equivalent of saving 6.2 million tons, and in the 11th Five-Year Plan they intend to achieve a savings of 18-20 percent. The average metal intensiveness of fixed capital for the entire national economy in 1961-1978 declined by 12.6 percent and this meant a savings of 125 million tons of metal.

This has been achieved by changes in production methods and in the production structure, by the more rational utilization of metal, by improving designs and lowering the weight of machinery and equipment. Nevertheless, the reserves for further savings of metal continue to remain significant. In 1979, out of each ton of consumed ferrous metals, 266 kg went as scrap. One-half of this is made up of chips which over the year amount to 6.8 million tons.

Starting with the first year of the 11th Five-Year Plan, the USSR Gosplan, along with quotas to reduce the average sectorial standards for the consumption of rolled ferrous metals, has worked out quotas for their overall proportional consumption (including castings, forged pieces from ingots and stamped pieces), for raising the metal use factor as well as for reducing the metal intensiveness of the major machine building product types. Such an innovation in planning the reduction of metal intensiveness for machine building products excludes the possibility of saving certain types (shapes) of ferrous metals at the expense of overconsuming others and such phenomena have reduced the effectiveness of measures to reduce product material intensiveness in machine building and other metal-consuming sectors.

A reduction in product material intensiveness has also been aided by the use of a unified system of standards and norms. At present, on the level of the USSR Gosplan, quotas have been set for saving materials which comprise two-thirds of all material expenditures (in cost terms) in machine building. For a certain portion of the materials, these quotas are being worked out on the ministerial or departmental level, on a basis of analyzing the norms and standards employed at the production associations and enterprises.

In a word, the measures being carried out by the socialist state are aimed at reducing product material intensiveness. The process of reducing proportional material intensiveness is objectively caused by the development of social production. Nevertheless, material expenditures for the production of aggregate social product have risen in keeping with the increase in the production scale and this has involved a rise in the reworking of raw materials as well as a higher consumption of materials, fuel and electric power.

In the course of scientific and technical progress, with a rise in the equipment-to-labor ratio, the proportional amount of material expenditures in the structure of social product will increase. From this standpoint, one can speak about the growth of the mass and share of material expenditures on producing social product, but this does not mean a rise in the proportional material intensiveness of a unit of product. If the material expenditures in rubles per unit of aggregate social product in monetary terms increase, this phenomenon is accompanied by a movement in prices, particularly for raw products, fuels, certain types of materials, preassembled products, tools and so forth. In terms of its content, the designated process (the movement of monetary values) is inadequate to the real process of a change in material expenditures and their level in the process of producing the physical product of labor.

A price expression in the changes of the structure of aggregate social product merely reflects, and only approximately, the real formation of its physical structure. For this reason, if the data from an analysis of the cost expression of aggregate social product is not corrected, and even in the instance of current prices as is used in the published data from the 1959, 1966 and 1972 intersectorial balances, one can arrive at conclusions which do not reflect reality with sufficient accuracy.

The problem of material intensiveness operates as a national economic and general production one, that is, in relation to the structure of aggregate social product, although it is solved by reducing proportional material expenditures. But if, as a whole for the national economy, production material intensiveness rises as a result of an objective change in the organic production structure or a change in the ratio between the expenditures of embodied and live labor, this cannot be said about the material intensiveness indicator for each product of labor in its physical expression, since the consumption standards for materials, raw products and fuel per unit of product show a tendency to decline. The effect of scientific and technical progress on production is being felt here. For example, the proportional consumption of conditional fuel units at the public power plants calculated per generated kilowatt-hour of electric power declined from 645 grams in 1940 and 415 grams in 1965 to 330 grams in 1979, that is, almost double in comparison with the prewar year.

The significance of this economic fact is hard to overestimate. It is characteristic for a majority of the production processes in the manufacturing sectors of industry. The approach to the problem of material intensiveness of aggregate social product is set considering the influence of this factor on social production. The essence of this problem derives from the natural conditions of carrying out social production and its social nature. With a deterioration in the conditions for extracting raw products and the decline in quality (for example, the reduction in the metal content in iron ore) an unjustified rise in the consumption of raw products, materials and fuels restrains the development of the intensive type of expanded reproduction.

Consequently, *the economic policy designed to improve the efficiency of social production is objectively oriented at a material-saving management policy.* This is the essence of the problem of material intensiveness in social production and the system of measures relating to the technical improvement of production should be developed in this direction, particularly in terms of the updating of production processes and the use of waste-free and low-waste production methods, primarily in the sectors of chemistry, metallurgy, machine building, the light, food and wood processing industries.

Of substantial significance is an improvement in the production structure, the use of secondary resources and also the corresponding adaption to solving the designated problem of the economic mechanism. The time is drawing near when production management to a greater degree will be based on an analysis of the enterprise's fulfillment of the coordinated deliveries and product output figured per unit of product, materials, fuel, electric power and labor expenditures. Deviations from the norms will serve as the grounds either for studying the experience of saving resources for the purpose of disseminating it or for disclosing the reasons for overconsumption and the taking of cardinal measures. Such concretization of production management and adaptation of the economic mechanism has become objectively necessary, for the most important condition for converting to the intensive type of socialist expanded reproduction and increasing the bulk of national income consists in reducing proportional expenditures of raw products and materials, lowering losses, utilizing waste products and other types of secondary resources.

This economic process has an impact on production efficiency, on the structure of the use [illegible] accumulation fund and on technical progress in the area of engineering. One has in mind not merely the improvement in the existing production processes but also the creation of new, predominantly waste-free production methods which make it possible to convert to the more complete processing of the raw materials and extract from it not only the basic elements but also the side ones.

Such is the global path to solving the problem of material intensiveness as a factor in raising the efficiency of social production and improving the structure of aggregate social product in its physical and cost terms. This solution is dictated by the real conditions of social production, and particularly by the limited nature of material resources. This to an ever-greater degree will influence their planned allocation, that is, the incorporation of the demand for resources into the production plan considering the role of the given sector and the given type of production in immediately satisfying the needs of people and ensuring normal conditions for socialist expanded reproduction and the development of the productive forces.

The designated particular features in the approach to considering the needs of society and the requirements of the basic economic law in the mature stage of a socialist system derive from the functional role of the reproduction funds (accumulation and consumption) where the latter serves directly the purposes of social production and the former comprises the means for ensuring the given goal. *The problem of the goal of socialist social production and the means of achieving it requires a further creative elaboration and a greater impact of the theoretical conclusions on the actual planning of the distribution of aggregate social product considering the functional purpose of the funds being reproduced.* Here one can see the influence of the structure of aggregate social product and material intensiveness of social production on forming the amount of newly created value which in the given structure is represented by national income.

As is seen from Table 7, national income in aggregate social product (in current prices) in 1972 was 43.7 percent; of this 22 percent was due to wages and 21.7 percent to surplus product. Let us examine the dynamics of the ratio of aggregate social product, produced material expenditures and national income over a more extended segment of time, 1959-1979.

Table 7
(in %)

	Dynamics over Years				
	1959	1965	1970	1975	1979
Production material expenditures	50.8	53.9	54.9	57.9	57.4
Produced national income	49.2	46.1	45.1	42.1	42.6

The traced dynamics shows a decline in the share of national income in the structure of aggregate social product in current prices over the last 20 years by 6-plus points. Here again one must speak of the impact of prices on the ratio of material expenditures and national income. While in current prices national income in 1970-1979 rose by 1.51-fold, in comparable prices it rose by 1.57-fold, that is, its growth rate was 6 points higher since in this instance the growth of material expenditures is adjusted in favor of the proportional amount of national income.

In calculating the structure of aggregate social product and national income in current prices, there is also a change in the share of surplus product. It was 23.1 percent in 1959, 21.7 in 1966, 21.7 in 1972, 21.4 in 1978 and 21.2 in 1979.[5] As we can see, in the 1970's, there were no substantial shifts in the amount of the proportion of surplus product in the value expression of aggregate social product. Its share in 1979 declined, although the bulk of surplus product in current prices increased by 2.43-fold in 1965-1979. The rate of surplus product for the national economy as a whole in 1965 was 86.4 percent in comparison with 88 percent in 1959. In 1972, it rose to 98 percent, and in 1979 up to 98.9 percent. The rate of surplus product is significantly higher in industry, and while in the sectors of heavy industry the exceeding is a little more than one-third in comparison with the national economy, for the light and food industries it is several-fold.

Thus, the share of surplus product in 1979 declined by 0.5 point in comparison with 1966. Nevertheless, the bulk of surplus product, like the volume of wages and the wage level, has risen.

The growth of the total amount of surplus product can be judged approximately from the growth of monetary accumulation (without the kolkhozes) as shown in Table 8).

Table 8

	Dynamics over Years			
	1965	1970	1975	1979
Total monetary accumulation, billion rubles	83.3	139.7	176.2	214.5
Including, percent:				
Profit	44.4	62.3	59.3	53.2
Turnover tax	46.6	35.4	37.8	41.2
Other accumulation	9.0	2.3	2.9	5.6

The total amount of monetary accumulation in the national economy (with the exception of the kolkhozes) rose by 2.58-fold in 1965-1979. Here the total amount of profit tripled while that of the turnover tax rose by 2.28-fold.

Analysis shows a stronger role played by profit in the structure of monetary accumulation and consequently in national income. This is the result of strengthening the cost accounting principles in management practices. Profit, as an economic indicator, more fully reflects the contribution of the given producer collective in the sector to the production of surplus product. In 1979, over 61 percent of the total profit was produced in industry, with more than 60 percent of the industrial profit occurring in the enterprises of machine building, the fuel and chemical industry, electric power and ferrous metallurgy, and 22.2 percent in the food and light industries.[6]

Substantial shifts have also occurred in profit distribution of the state enterprises and self-financing organizations. In 1965, 70 percent of the produced product was paid to the budget and 30 percent left at the disposal of the producer collectives; in 1979, the figures, respectively, were 58 and 42 percent. In 1965, of the share of profit left to the enterprises, one-third (10 percent) was used for capital investments, 6 percent was deducted into the economic incentive fund, 9 percent went to increase own working capital and 5 percent to retire long-term bank loans, the payment of credit interest and for other purpose; in 1979, the figures, respectively, were 5, 17, 6 and 14 percent, that is there was a significant increase in the share of profit going into the economic incentive funds.

Changes in the distribution of national income, in particular profit, show decentralization and the development of the cost accounting function in the activities of production collectives. There was an increase in the share of profit left at the disposal of the enterprises. The share of profit going into the producer economic incentive funds rose particularly. Behind these shifts in the distribution structure of national income, one can see changes in economic relationships occurring under the effect of the productive forces and social needs the satisfaction of which presupposes a further improvement in the ties of the production collectives and society. The material prerequisites for such changes have been prepared for by the entire development of socialist production and its structure and by shifts in the ratio of the production factors and in the structure of aggregate social product.

Socialist production creates the prerequisites for its own growth, but the possibilities of their use by society are linked to the level of labor productivity as the main factor offsetting the decline in the share of newly created value in aggregate social product. For this reason, research on the factors involved in the change of the structure of aggregate social product and national income ultimately links up with studying the production factors which influence the productivity of social labor and the material structure of production, and particularly the savings of the means of production and live labor. From this intertwining of factors stems the development prospects of production relationships in the question of the use of the means of production and the entire scientific-technical and production potential of the nation and consequently the prospects for increasing production efficiency.

Expressed in the level of satisfying the demand of society, this characteristic of social production provides a notion of its efficiency only at a specific historical moment, and for determining the future prospects, there is the growth of accumulation which ensures scientific and technical progress. From such a standpoint the indicator of the amount of aggregate social product is clearly insufficient; consideration must be given to the amount of surplus product and the possibilities of accumulation under the condition of satisfying the reasonable needs of a person and all society. But accumulation and current consumption, as sources of satisfying the needs of society and each member of it, can perform their function only under the condition of a rise in all social wealth. The given economic category has not gained proper recognition and study in the economic literature and this has been reflected in management practices and in particular in the use of natural production factors. But precisely the amounts of national wealth and not only aggregate social product, in combination with an assessment of the possibilities of accumulation as a result of socialist expanded reproduction, predetermine the prospects of economic development and the satisfying of the needs of society and man and for creating conditions for the all-round development of the individual. Precisely these goals and the means of realizing them are inherent more to the intensive type of expanded reproduction which objectively replaces the purely extensive type.

FOOTNOTES

1. See: V. I. Lenin, PSS [Complete Collected Works], Vol 6, p 232.
2. See: K. Marx and F. Engels, "Soch." [Works], Vol 46, Part II, p 214.
3. See: "Narodnoye Khozyaystvo SSSR v 1979 Godu," Moscow, Statistika, 1980, pp 54, 247.
4. Ibid., p 137.
5. Calculated from the data of: ibid., pp 54, 285, 405, 535.
6. See: ibid., p 537.

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